ROYAL CARIBBEAN CRUISES LTD
Form 10-K
February 24, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number: 1-11884

ROYAL CARIBBEAN CRUISES LTD.

(Exact name of registrant as specified in its charter)

Republic of Liberia	**98-0081645**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1050 Caribbean Way, Miami, Florida 33132

(Address of principal executive offices) (zip code)

(305) 539-6000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act).

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the registrant s common stock at June 30, 2010 (based upon the closing sale price of the common stock on the New York Stock Exchange on June 30, 2010) held by those persons deemed by the registrant to be non-affiliates was approximately $3.04 billion. Shares of the registrant s common stock held by each executive officer and director and by each entity or person that, to the registrant s knowledge, owned 10% or more of the registrant s outstanding common stock as of June 30, 2010 have been excluded from this number in that these persons may be deemed affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 216,070,238 shares of common stock outstanding as of February 14, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Definitive Proxy Statement relating to its 2011 Annual Meeting of Shareholders are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K as indicated herein.

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PART I

As used in this Annual Report on Form 10-K, the terms Royal Caribbean, the Company, we, our and us refer to Royal Caribbean Cruises Ltd. and the terms Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamara Club Cruises, and CDF Croisières de France refer to our cruise brands. In accordance with cruise vacation industry practice, the term berths is determined based on double occupancy per cabin even though many cabins can accommodate three or more passengers.

This Annual Report on Form 10-K also includes trademarks, trade names and service marks of other companies. Use or display by us of other parties trademarks, trade names or service marks is not intended to and does not imply a relationship with, or endorsement or sponsorship of us by, these other parties other than as described herein.

Item 1. Business

General

Royal Caribbean International was founded in 1968. The current parent corporation, Royal Caribbean Cruises Ltd., was incorporated on July 23, 1985 in the Republic of Liberia under the Business Corporation Act of Liberia.

We are the world s second largest cruise company operating 40 ships in the cruise vacation industry with an aggregate of approximately 92,300 berths as of December 31, 2010. Our brands include Royal Caribbean International, Celebrity Cruises, and Azamara Club Cruises along with our Pullmantur brand, which has been custom tailored to serve the cruise markets in Spain, Portugal and Latin America and our CDF Croisières de France brand which provides us with a custom tailored product targeted at the French market. In addition, we have a 50% investment in a joint venture which operates the brand TUI Cruises, specifically tailored for the German market.

Our ships operate on a selection of worldwide itineraries that call on approximately 420 destinations on all seven continents. In addition to our headquarters in Miami, Florida, we have offices and a network of international representatives around the world which focus on our international guest sourcing.

We compete principally on the basis of innovation and quality of ships, quality of service, variety of itineraries, choice of destinations and price. We believe that our commitment to build state-of-the-art ships and to invest in the maintenance and revitalization of our fleet to, among other things, incorporate our latest signature innovations, allows us to continue to attract new and loyal repeat guests and expand into growing international markets and provides us with the flexibility to deploy our ships among our brand portfolio.

We believe cruising continues to be a widely accepted vacation alternative due to its inherent value, extensive itineraries and variety of shipboard and shore-side activities. In addition, we believe that our products appeal to a large consumer base and are not dependent on a single market or demographic. Further, we believe our global brands possess the versatility to enter multiple cruise market segments within the cruise vacation industry. As a result, we strategically manage our brands as a single business with the ultimate objective of maximizing shareholder value.

Our Brands

Royal Caribbean International

We currently operate 22 ships with approximately 62,000 berths under our Royal Caribbean International brand, offering cruise itineraries that range from two to 18 nights. Royal Caribbean International offers a variety of itineraries to destinations worldwide, including Alaska, Asia, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, Hawaii, the Middle East, the Panama Canal, South America and New Zealand.

Royal Caribbean International is positioned at the upper end of the contemporary segment of the cruise vacation industry, generally characterized by cruises that are seven nights or shorter and feature a casual ambiance. We believe that the quality of the Royal Caribbean International brand also enables it to attract consumers from the premium segment, which is generally characterized by cruises that are seven to 14 nights and appeal to the more experienced guest who is usually more affluent. This allows Royal Caribbean International to achieve among the broadest market coverage of any of the major cruise brands in the vacation industry.

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Royal Caribbean International s strategy is to attract an array of vacationing consumers by providing a wide variety of itineraries and cruise lengths with multiple innovative options for onboard dining, entertainment and other onboard activities. Popular product innovations include surf simulators, an interactive water park called the H2O Zone , Royal Promenades (boulevards with shopping, dining and entertainment venues), ice skating rinks, bungee jumping trampolines and rock climbing walls.

Most recently, in October 2009 and October 2010, Royal Caribbean International took delivery of the sister ships, *Oasis of the Seas* and *Allure of the Seas*, respectively, which are the largest and most innovative cruise ships in the industry. In addition, during 2010, Royal Caribbean International introduced DreamWorks Animations® themed activities onboard certain ships and the first Starbucks® Coffee at sea onboard *Allure of the Seas.*

Royal Caribbean International offers a variety of shore excursions at each port of call. We believe that the variety and quality of Royal Caribbean International s product offerings represent excellent value to consumers, especially to couples and families traveling with children. Because of the brand s extensive and innovative product offerings, we believe Royal Caribbean International is well positioned to attract new consumers to the cruise vacation industry and to continue to bring loyal repeat guests back for their next vacation.

Celebrity Cruises

We currently operate 10 ships with approximately 20,500 berths under our Celebrity Cruises brand, offering cruise itineraries that range from two to 17 nights. Celebrity Cruises is positioned within the premium segment of the cruise vacation industry.

Celebrity Cruises reputation as an upscale cruise vacation brand appeals to experienced cruisers, resulting in a strong base of loyal repeat guests. The brand also appeals to experienced vacationers who have not yet cruised who seek the high quality, service-focused experience the brand offers. Celebrity Cruises offers a global cruise experience by providing a variety of cruise lengths and itineraries to premium destinations throughout the world, including Alaska, Australia, Bermuda, the Caribbean, Europe, New Zealand, the Panama Canal and South America. Celebrity Cruises is also the only major cruise line to operate a ship in the Galapagos Islands, *Celebrity Xpedition*. *Celebrity Xpedition* has 96 berths and provides this unique experience on seven day cruises with pre-cruise tours in Ecuador.

Celebrity Cruises strategy is to deliver an intimate experience onboard upscale ships that offer luxurious accommodations, a high staff-to-guest ratio, fine dining, personalized service, extensive spa facilities, and unique onboard attractions. In addition, during 2010, Celebrity Cruises introduced the new Celebrity iLounge and became an Authorized Apple Reseller of computers and other media devices onboard certain Celebrity Cruises ships.

Celebrity Cruises fleet, dining, service, and spa have been consistently recognized with numerous awards from consumer cruise travel polls, travel agents and travel industry publications.

Azamara Club Cruises

We currently operate two ships with a total of approximately 1,400 berths under our Azamara Club Cruises brand, offering cruise itineraries that range from four to 17 nights. Azamara Club Cruises is designed to serve the up-market segment of the North American, U.K., German and Australian markets, which segment is generally characterized as incorporating elements of the premium and luxury segments.

Azamara Club Cruises strategy is to deliver distinctive destinations, featuring unique itineraries with more overnight and longer stays, as well as specialty tours allowing guests to truly experience the destination. Azamara Club Cruises focus is to attract experienced travelers who enjoy cruising and who seek a more intimate onboard experience and a high level of service. Azamara Club Cruises sails in Asia, Western & Northern Europe, the Mediterranean, South America, the Panama Canal and the less-traveled islands of the Caribbean, with more overnight and late-night stays in every region.

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Azamara Club Cruises offers a wide array of onboard services, amenities and activities, including gaming facilities, fine dining, spa and wellness, butler service for suites, as well as interactive entertainment venues. Starting in April 2010, Azamara Club Cruises also includes as part of the base price, certain onboard services, amenities and activities which are not normally included in the base price of other cruise lines. Some of these onboard services, amenities and activities consist of wine with lunch and dinner, bottled water, soda, premium coffees and teas, gratuities for housekeeping and dining/bar staff, self-service laundry and shuttle buses for certain ports.

Pullmantur

We currently operate five ships with approximately 7,650 berths under our Pullmantur brand, offering seven-night cruise itineraries. Pullmantur serves the contemporary segment of the Spanish cruise market and continues to expand into the Portuguese and Latin American cruise markets. Pullmantur has land-based tour operations and owns a 49% interest in an air business that operates four Boeing 747 aircrafts in support of its cruise and tour operations.

Pullmantur s strategy is to attract cruise guests by providing a variety of cruising options and land-based travel packages. Pullmantur offers a range of cruise itineraries to the Baltic, Brazil, the Caribbean, the Mediterranean, Mexico and Portugal. Pullmantur offers a wide array of onboard activities and services to guests, including exercise facilities, swimming pools, beauty salons, gaming facilities, shopping, dining, certain complimentary beverages, and entertainment venues. Pullmantur s tour operations sell land-based travel packages to Spanish guests including hotels and flights primarily to Caribbean resorts, and land-based tour packages to Europe aimed at Latin American guests.

CDF Croisières de France

We currently operate one ship, *Bleu de France*, with approximately 750 berths under our CDF Croisières de France brand, offering four to ten night cruise itineraries. CDF Croisières de France is designed to serve the contemporary segment of the French cruise market by providing us with a brand custom-tailored for French cruise guests. In November 2010, *Bleu de France* was sold to an unrelated party. As part of the sale agreement, we chartered *Bleu de France* from the buyer for a period of one year from the sale date in order to fulfill existing guest commitments. At the end of the charter period, Pullmantur will redeploy *Horizon* to CDF Croisières de France and prior to its redeployment the ship will undergo renovations to incorporate signature brand elements.

CDF Croisières de France offers seasonal itineraries to the Mediterranean. CDF Croisières de France offers a variety of onboard services, amenities and activities, including entertainment venues, exercise and spa facilities, fine dining, and gaming facilities.

TUI Cruises

In 2008, we formed a joint venture with TUI AG, a European tourism and shipping company which owns 51% of TUI Travel. The joint venture operates TUI Cruises, designed to serve the contemporary and premium segments of the German cruise market by offering a custom-tailored product for German guests. All onboard activities, services, shore excursions and menu offerings are designed to suit the preferences of this target market. TUI Cruises operates one ship, *Mein Schiff*, with a total of approximately 1,850 berths. As previously announced, we will be selling *Celebrity Mercury* to TUI Cruises to serve as its second ship. The sale is expected to close at the end of February 2011 and the ship will enter service with TUI Cruises in the second quarter of 2011, under the name *Mein Schiff 2*, following an extensive refurbishment.

Industry

Cruising is considered a well established vacation sector in the North American market, a growing sector in the European market and a developing but promising sector in several other emerging markets. Industry data indicates that a significant portion of cruise guests carried are first-time cruisers. We believe this could present an opportunity for long-term growth and a potential for increased profitability.

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We estimate that the global cruise industry carried 18.7 million cruise passengers in 2010 compared to 17.3 million cruise passengers carried in 2009. We estimate that the global cruise fleet was served by approximately 400,000 berths on approximately 281 ships by the end of 2010. There are approximately 20 ships with an estimated 53,000 berths that are expected to be placed in service in the global cruise market between 2011 and 2014. The majority of cruise passengers in the cruise vacation industry have historically been sourced from North America, and to a lesser extent, Europe.

North America

Although the North American cruise market has historically experienced significant growth, the compound annual growth rate in cruise passengers for this market was approximately 0.9% from 2006 to 2010. This more limited growth is attributable in large part to the recent international expansion within the cruise industry. We estimate that North America was served by 136 ships with approximately 190,000 berths at the beginning of 2006 and by 151 ships with approximately 241,000 berths by the end of 2010. There are approximately 13 ships with an estimated 36,000 berths that are expected to be placed in service in the North American cruise market between 2011 and 2014.

Europe

In Europe, cruising represents a much smaller sector of the vacation industry; however, it has experienced a compound annual growth rate in cruise passengers of approximately 12.4% from 2006 to 2010 and we believe this market has significant continued growth potential. We estimate that Europe was served by 100 ships with approximately 94,000 berths at the beginning of 2006 and by 114 ships with approximately 144,000 berths by the end of 2010. There are approximately seven ships with an estimated 16,000 berths that are expected to be placed in service in the European cruise market between 2011 and 2014.

The following table details the growth in the global, North American and European cruise markets in terms of cruise passengers and estimated weighted-average berths over the past five years:

Year	Global Cruise Passengers(1)	Weighted-Average Supply of Berths Marketed Globally(1)	North American Cruise Passengers(2)	Weighted-Average Supply of Berths Marketed in North America(1)	European Cruise Passengers(3)	Weighted-Average Supply of Berths Marketed in Europe(1)
2006	15,309,000	304,000	10,078,000	201,000	3,460,000	97,000
2007	16,586,000	327,000	10,247,000	212,000	4,080,000	105,000
2008	17,184,000	347,000	10,093,000	219,000	4,500,000	120,000
2009	17,340,000	363,000	10,198,000	222,000	5,000,000	131,000
2010	18,740,000	388,000	10,450,000	232,000	5,448,000	142,000

1) Source: Our estimates of the number of global cruise passengers, and the weighted-average supply of berths marketed globally, in North America and Europe are based on a combination of data that we obtain from various publicly available cruise industry trade information sources including Seatrade Insider and Cruise Line International Association. In addition, our estimates incorporate our own statistical analysis utilizing the same publicly available cruise industry data as a base.
2) Source: Cruise Line International Association based on cruise passengers carried for at least two consecutive nights for years 2006 through 2009. Year 2010 amounts represent our estimates (see number 1 above).
3) Source: European Cruise Council for years 2006 through 2009. Year 2010 amounts represent our estimates (see number 1 above).

We compete with a number of cruise lines; however, our principal competitors are Carnival Corporation & plc, which owns, among others, Aida Cruises, Carnival Cruise Lines, Costa Cruises, Cunard Line, Holland America Line, Iberocruceros, P&O Cruises and Princess Cruises; Disney Cruise Line; MSC Cruises; Norwegian Cruise Line and Oceania Cruises. Cruise lines compete with other vacation alternatives such as land-based resort hotels and sightseeing destinations for consumers leisure time. Demand for such activities is influenced by political and general economic conditions. Companies within the vacation market are dependent on consumer discretionary spending.

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Operating Strategies

Our principal operating strategies are to:

- enhance our revenues, manage the efficiency of our operating expenditures and ensure adequate cash and liquidity, with the overall goal of maximizing our return on invested capital and shareholder value,
- increase the awareness and market penetration of our brands throughout the world,
- expand our fleet with the new state-of-the-art cruise ships recently delivered and on order, while transferring key innovations to our existing fleet,
- capitalize on the portability and flexibility of our ships by deploying them into those new markets and itineraries that provide opportunities to optimize returns, while continuing our focus on existing key markets,
- continue to expand and diversify our passenger mix,
- protect the health, safety and security of our guests and employees and protect the environment in which our vessels and organization operate,
- further improve our technological capabilities, and
- maintain strong relationships with travel agencies, the principal industry distribution channel, while enhancing our direct consumer outreach programs.

Enhance our revenues, manage our operating expenditures and ensure adequate cash and liquidity

We are focused on maximizing revenues, improving yields and strengthening our balance sheet while strategically managing the efficiency of our operating expenditures. We maximize revenues and yields through various programs prior to, during and after a cruise vacation aimed at increasing our ticket prices and occupancy. We are continually committed to improving our cost efficiencies and have implemented various cost-containment initiatives. In addition, to ensure adequate cash and liquidity, during the economic downturn, we discontinued our quarterly dividend commencing in the fourth quarter of 2008 and have tactically managed our capital expenditures. We believe these strategies will enhance our ability of achieving our overall goal of maximizing our return on invested capital and shareholder value.

Brand Awareness and Market Penetration

We continue to increase the recognition and market penetration of our brands among consumers throughout the world. Royal Caribbean International and Celebrity Cruises are established global brands in the contemporary and premium segments of the vacation industry. Azamara Club Cruises is designed to serve the up-market cruise segment. Pullmantur is a widely recognized brand in the Spanish, Portuguese and Latin American contemporary cruise markets. CDF Croisières de France is targeted to serve the contemporary segment of the French cruise market.

We increase brand awareness and market penetration of our Royal Caribbean International brand through communication strategies designed to emphasize its high quality and excellent-value cruise vacations. Royal Caribbean International s communication strategies, which include social media and networking channels, its website *www.royalcaribbean.com* and traditional media channels, target adults and families who are vacation enthusiasts interested in exploring new destinations and seeking new experiences. These strategies are also designed to attract first-time cruisers to the cruise vacation industry and to the Royal Caribbean International brand as well as past guests. In order to attract the experienced cruiser who is seeking new experiences as well as first-time cruisers, Royal Caribbean International provides multiple choices to guests through a wide array of itineraries, accommodations, dining options, onboard activities and shore excursions. The hallmarks of the brand include friendly and engaging service, state-of-the-art ships, family programs, entertainment, health and fitness and energizing onboard and shoreside activities designed for guests of all ages.

We increase brand awareness and market penetration of our Celebrity Cruises brand through consumer and trade strategies designed to broaden the recognition of its high quality cruise vacations and drive loyalty and brand preference. We do so by emphasizing the four core pillars of the brand: well-appointed ships, personalized service, fine dining and engaging onboard activities. Celebrity Cruises communications target experienced cruisers as well as affluent vacationers who may have not yet cruised who seek upscale experiences and appreciate a high staff-to-guest ratio, luxurious accommodations, fine dining and spa services. Celebrity Cruises retains repeat guests with exclusive benefits for its Captain s Club members. Celebrity Cruises engages with past and potential guests through its website *www.celebritycruises.com*, and communicates with consumers through social media channels, as well as through a variety of traditional media channels.

We increase awareness and market penetration for Azamara Club Cruises with several marketing campaigns and through other channels. Azamara Club Cruises marketing mix includes extensive online marketing, print advertising in key travel magazines, trade advertising, as well as extensive collaboration with up-market travel agents in such areas as training and road shows. Azamara Club Cruises has developed relationships with key boutique agencies and luxury consortiums and works in collaboration with international offices and international representatives. The brand has also developed a microsite featuring a blog with the goal of establishing a solid and ongoing social media platform to further increase awareness, as well as providing internet activities to support the travel trade and customers.

We increase brand awareness and market penetration of our Pullmantur brand primarily through advertising campaigns targeted to Spanish and Portuguese-speaking guests in Spain, Portugal and Latin America. All customer-facing crewmembers speak Spanish and on certain itineraries Portuguese, and onboard activities, services, shore excursions and menu offerings are designed to suit the preferences of these target markets.

We continue to increase the awareness and market penetration of our CDF Croisières de France brand through trade education, public relations and direct communications, designed to target the contemporary segment of the French cruise market. CDF Croisières de France s communications emphasizes that its cruise product is tailored specifically to French-speaking guests. All customer-facing crewmembers speak French, and the onboard activities and menu offerings are designed to suit their target guests preferences.

In addition, we also increase brand awareness across all of our brands through travel agencies who generate the majority of our bookings. We are committed to further developing and strengthening this very important distribution channel by facilitating their focus on the unique qualities of each of our brands.

Fleet Development, Maintenance and Innovation

We currently have signed agreements with a shipyard providing for the construction of two new state-of-the-art Solstice-class cruise ships scheduled to enter service in the third quarter of 2011 and the fourth quarter of 2012. These additions are expected to result in an increase in our passenger capacity by approximately 5,850 berths by December 31, 2012, or approximately 6.3% as compared to our capacity as of December 31, 2010. We continuously evaluate opportunities to order new ships, purchase existing ships or sell ships in our current fleet.

The acquisition of our remaining Solstice-class ships along with our maintenance programs and revitalizations on our existing fleet allows us to incorporate our latest signature innovations, continue to attract new and repeat guests and expand into growing international markets and provides us with the flexibility to deploy our ships among our brand portfolio. Our Solstice and Oasis-class ships incorporate new innovations and allow us to capture cost savings through their scale and fuel efficiencies. The design of these ships allows for a greater percentage of staterooms with verandas and outside staterooms which provide for premium pricing.

In support of our maintenance programs, we own a 40% interest in a ship repair and maintenance facility, Grand Bahamas Shipyard Ltd., which is the largest cruise ship dry-dock repair facility in the world and is located in Freeport, Grand Bahamas. We utilize this facility, among other ship repair facilities, for our regularly scheduled drydocks and certain emergency repairs as may be required. In addition, the facility serves unaffiliated cruise, cargo ships, oil and gas tankers, and offshore units.

In addition to our fleet development and maintenance, we place a strong focus on product innovation which we seek to achieve by introducing new concepts on our new ships and continuously making improvements to our existing fleet in a cost effective manner. In order to offer guests a wider range of activities and amenities and to ensure consistency across our fleets, we have revitalized some of our older ships to update and refresh their interiors and to incorporate signature brand elements. Renovations have included the addition of new balconies, dining and entertainment options, as well as refurbishments to staterooms and public areas.

Royal Caribbean International. Founded in 1968, Royal Caribbean International was the first cruise line to design ships for warm water year round cruises. Since then Royal Caribbean International has launched several classes of ships, each building upon the innovation of the previous class. Several of these innovations and recreational activities such as the Royal Promenade (a boulevard with shopping, dining and entertainment venues), ice and in-line skating rinks, rock climbing walls, miniature golf, full court basketball, enhanced staterooms and expanded dining venues have become signature elements of the brand.

In 2006, Royal Caribbean International took delivery of the 3,600-berth *Freedom of the Seas*, the first of three Freedom-class ships. The Freedom-class ships have some of the largest staterooms and balconies in the industry, flat screen televisions, cell phone services and other amenities. The launch of the Freedom-class ships also introduced several new experiences to cruising, including a surf simulator and an interactive water park called the H2O Zone™. Royal Caribbean International took delivery of a second Freedom-class ship, *Liberty of the Seas,* in April 2007 and the third Freedom-class ship, *Independence of the Seas*, in April 2008.

Building upon the innovations of the Freedom-class ships, Royal Caribbean International took delivery of the first Oasis-class ship, *Oasis of the Seas* in October 2009 and the second Oasis-class ship, *Allure of the Seas*, in October 2010. This new class of ships has approximately 5,400 berths. Each ship spans 16 decks and features 2,700 staterooms. These ships also allow for a greater percentage of staterooms with verandas and outside staterooms which provide for premium pricing. The Oasis-class ships have introduced several new experiences to cruising including the neighborhood concept. The neighborhood concept consists of seven distinct themed areas which include Central Park, featuring a park open to the sky, and Boardwalk, an outdoor family-friendly area featuring a handcrafted carousel and an amphitheater at sea known as AquaTheater. Additional features include an elevating bar, a zip line, a sloped-beach entry pool and a wide variety of specialty restaurants and dining options. The Oasis-class ships also offer new categories in onboard accommodations including bi-level, two bedroom/two bathroom suites and balcony staterooms facing some of the distinct neighborhoods.

In 2011, Royal Caribbean International will introduce some of the most popular features of the Oasis-class ships on certain Freedom-class and Radiance-class ships, including the addition of new specialty restaurants, a new lounge for Crown & Anchor Society loyalty program members, interactive flat-panel televisions in all staterooms and wireless internet throughout the ship. Additionally, there will be new balcony staterooms added, select stateroom enhancements and upgrades to public areas, including a refreshed casual dining area.

Celebrity Cruises. Celebrity Cruises was founded in 1990 and has introduced several classes of ships, each building on the brand s primary strengths. The progression and innovation of these ships have elevated Celebrity Cruises position in the premium segment of the marketplace. Some of the brand s signature elements include the innovative design of the ships, contemporary gourmet dining, spacious staterooms and suites with verandas, spa facilities, piano, champagne and martini bars and lounges. In addition, during 2010 Celebrity Cruises introduced the new Celebrity iLounge and became an Authorized Apple Reseller of computers and other media devices onboard certain Celebrity Cruises ships. The brand continuously improves its existing fleet to keep them current with the newest innovations. Most recently, *Celebrity Constellation* underwent a renovation of its onboard amenities and public areas. Several attributes of the new Solstice-class were added during this renovation. Between 2011 and 2012, other Celebrity Cruises ships will undergo similar renovations.

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With a strong focus on product innovation, Celebrity Cruises ordered a total of five Solstice-class ships, three of which have been delivered as of December 31, 2010. The Solstice-class ships are a new wide-body construction class of ships with approximately 2,850 berths each and 3,000 berths in the case of *Celebrity Reflection*. This new wide-body construction design provides for many intimate areas onboard the ship. The Solstice-class ships incorporate many new and improved design features including the industry s first ever Lawn Club . The Lawn Club is over a half acre venue featuring live grass for guest enjoyment. Celebrity Cruises also introduced the Hot Glass Show, a fully functional glass blowing studio which operates at the Lawn Club. The Solstice-class ships are equipped with solar foils and solar panels, another industry first. Approximately 90% of the ships staterooms are outside and approximately 85% of the staterooms have verandas. *Celebrity Solstice*, *Celebrity Equinox*, and *Celebrity Eclipse* the first, second and third of the five Solstice-class ships were delivered in 2008, 2009 and 2010, respectively. The remaining two ships, *Celebrity Silhouette* and *Celebrity Reflection*, are expected to enter service in the third quarter of 2011 and fourth quarter of 2012, respectively. As part of our continuous commitment to innovate our fleet, these two new ships will introduce features not included on other Solstice-class ships, including additional dining and rest venues at the Lawn Club. *Celebrity Reflection* will also offer new spa inspired suites and additional suite and stateroom accommodations as the result of the construction of an additional deck.

Azamara Club Cruises. In May 2007, *Blue Dream* was redeployed from Pullmantur to Azamara Club Cruises, and is sailing under the name *Azamara Journey*. In September 2007, *Blue Moon* was also redeployed from Pullmantur to Azamara Club Cruises and is sailing under the name *Azamara Quest*. Before redeployment to the Azamara Club Cruises brand, each ship underwent renovations including the upgrade of guest suites and staterooms, and the addition of two new specialty restaurants.

Pullmantur. Pullmantur was founded in 1971. We acquired Pullmantur in November 2006 and it currently operates five ships which range in size from approximately 1,000 to 2,300 berths for a total of 7,650 berths.

In May 2007, *Zenith* was redeployed from Celebrity Cruises to Pullmantur. *Empress of the Seas* and *Sovereign of the Seas* were redeployed from Royal Caribbean International to Pullmantur in March 2008 and November 2008, respectively. Upon the return of *Island Star* in April 2009 from Island Cruises, the ship was redeployed to Pullmantur and sailed under the name *Pacific Dream* from May 2009 to October 2010. Since then, the ship has been sailing under the name *Horizon*. Before redeployment to Pullmantur, each ship underwent renovations to incorporate Pullmantur s signature elements which include Spanish signage, logos and expanded disco areas.

CDF Croisières de France. In November 2010, *Bleu de France* was sold to an unrelated party. As part of the sale agreement, we chartered *Bleu de France* from the buyer for a period of one year from the sale date in order to fulfill existing guest commitments. At the end of the charter period, Pullmantur will redeploy *Horizon* to CDF Croisières de France. *Horizon* will undergo renovations, including the replacement of carpets, fabrics and furniture.

Markets and Itineraries

In an effort to penetrate untapped markets and diversify our customer base, we continue to seek opportunities to redeploy ships in our Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises brands to new markets and itineraries throughout the world. The portability of our ships and our investment in infrastructure allows us to expand into new markets and helps us reduce our dependency on any one market by allowing us to create home ports around the world. In addition, it allows us to readily deploy our ships to meet demand within our existing cruise markets.

Our ships offer a wide selection of itineraries that call on approximately 420 ports. We are focused on optimizing returns by operating in established markets while growing our presence internationally. New ships allow us to expand into new markets and itineraries. Our brands have expanded their mix of itineraries, while strengthening our ability to penetrate the Asian, Caribbean, European, and Latin American markets further. As we enter into new markets, we continuously evaluate their current and expected performance in order to enhance our revenues. In addition, in order to capitalize on the summer season in the Southern Hemisphere and mitigate the impact of the winter weather in the Northern Hemisphere, our brands have increased deployment to South America and Australia.

We continue to focus on the acceleration of Royal Caribbean International s, Celebrity Cruises and Azamara Club Cruises strategic positioning as global cruise brands. Royal Caribbean International has increased its year-round deployment offerings for 2011, including more drive-to and locally sourced products for North American and international markets. In December 2010, *Allure of the Seas* debuted from Fort Lauderdale joining *Oasis of the Seas* with both ships offering alternating Eastern and Western Caribbean voyages allowing guests to enjoy the opportunity to book back-to-back cruises.

In the summer of 2011, eleven of Royal Caribbean International s ships will sail in Europe, making the brand an industry leader in European capacity during the summer season. Approximately 70% of the eleven ships will be dedicated to the European market for guest sourcing. During the Northern Hemisphere s winter, Royal Caribbean International will increase its capacity in Australia by redeploying a second ship.

Celebrity Cruises had a large portion of its fleet in Europe in 2010. *Celebrity Eclipse*, the third vessel of the Solstice- class, debuted in the second quarter of 2010 in Southampton for the summer season. This was the first time in the brand s history that it had a dedicated product in the U.K. market. The year 2010 also marked the return of Celebrity Cruises to Bermuda and the Northeast during the summer with seven night cruises on *Celebrity Summit* and the offering of year-round Caribbean cruising on *Celebrity Solstice*.

The Solstice-class expansion has allowed the brand to broaden its mix of itineraries in 2011. This year will mark the debut of *Celebrity Silhouette*, the fourth Solstice-class ship, which will debut in Europe and will provide sailings in the Northeast Caribbean in the winter. During the 2011 summer season, all four Solstice-class ships will be in Europe. During the winter, Celebrity Cruises will also return to Australia and will add incremental sailings to Hawaii.

In 2011, Azamara Club Cruises will continue to offer more calls to boutique ports of call, including Rouen, France, Paros, Greece and many other boutique ports only accessible by smaller ships. The brand also continues to focus on more overnight calls and longer stays in port. In 2011, Azamara Club Cruises deployment feature sailings in Western and Northern Europe, Asia, the Mediterranean, the Panama Canal and the less-traveled islands of the Caribbean. In the winter, Azamara will return to South America, adding new cruises to the Amazon. Also, Pullmantur and CDF Croisières de France will continue to offer European itineraries on all ships.

In an effort to secure desirable berthing facilities for our ships, and to provide new or enhanced cruise destinations for our guests, we actively assist or invest in the development or enhancement of certain port facilities and infrastructure, including mixed-use commercial properties, located in strategic ports of call. Generally, we collaborate with local, private or governmental entities by providing management and/or financial assistance and often enter into long-term port usage arrangements. In exchange for our involvement, we generally secure preferential berthing rights for our ships. During 2009, we assisted with the construction of a new port facility in Haiti which emerged undamaged from the January 2010 earthquake. The renovations allow Royal Caribbean International s Freedom and Oasis-class ships to dock at the newly constructed pier without the need for tendering. The renovations also included an overhaul of the facilities and dining venues and a complete revamp of Labadee s shoreside areas, including the construction of new bars, the replenishment of beach erosion, the construction of an alpine coaster and two new meeting areas which offer shopping, shows and cultural activities. We are also currently investing in the development of a new pier and port facilities at the Port of Falmouth, Jamaica, which will become operational in 2011. This will allow for the simultaneous berthing of one Oasis and one Freedom-class ship along with the addition of several new port and shoreside facilities.

Expansion and Diversification of our Passenger Mix

Passenger ticket revenues generated by sales originating in countries outside of the United States were approximately 45%, 46%, and 40% of total passenger ticket revenues in 2010, 2009 and 2008, respectively. International passengers have grown from approximately 586,000 in 2006 to approximately 1.8 million in 2010.

We sell and market our global brands, Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises, to passengers outside of North America through our offices in the United Kingdom, Germany, Norway, Italy, Spain, Singapore, China, Brazil, Australia and Mexico. We believe that having a local presence in these markets provides us with the ability to react faster to local market conditions as well as better understand our customer base in each respective market. We further extend our geographic reach with a network of 41 independent international representatives located

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throughout the world covering 60 countries. Historically, our focus has been to primarily source passengers for our global brands from North America. Over the last several years, we have and continue to expand our focus to sell and market our cruise brands to countries outside of North America through fleet innovation and by responding to the cultural characteristics of our global passengers.

We continue to look for opportunities to acquire or develop brands custom-tailored to specific markets. TUI Cruises, our joint venture with TUI AG, is a cruise brand targeted at the cruise market in Germany. TUI Cruises complements Pullmantur, which is targeted at passengers primarily in Spain, Portugal and Latin America and CDF Croisières de France, which is targeted at passengers primarily in France.

Health, Safety, Security and Environmental Policies

We are committed to protecting the health, safety and security of our guests, employees and others working on our behalf. We are also committed to protecting the marine environment in which our vessels sail and the communities in which we operate by minimizing adverse environmental consequences and using resources efficiently. As part of this commitment, we established a unified internal department to oversee global security, maritime safety, medical and public health areas, and environmental stewardship. This organization is comprised of technical experts in each area focused on improving our prevention and response procedures. Our rapid and corporate wide approach to contagious disease challenges allows us to minimize the impact of any outbreaks on our ships and effectively use our medical and public health expertise to meet the health care needs of our guests and crew.

Technological Capabilities

Innovation in information technology and revenue management continues to be an integral part of our business strategy. We continue our strategy of adapting to our ever changing guest mix by developing new technological advancements in an effort to maximize onboard revenue from our existing customers. A key focus in 2010 was to use technology to make both the pre-cruise and onboard experience easier for guests. For example, we launched interactive, fully electronic guest documents and overhauled the Royal Caribbean International and Celebrity Cruises websites to include a simpler and more user friendly online booking process. We also introduced the new Celebrity iLounge, which features MacBook Pros®, iPods®, essential accessories and classes designed around iLife® applications and became an Authorized Apple Reseller of computers and other media devices onboard certain Celebrity Cruises ships.

We believe we have some of the most advanced revenue management capabilities in the industry, which enables us to make more advantageous decisions about pricing, inventory management and marketing actions even during periods of volatility and contracted booking windows. We are continuously working to improve our systems and tools through increased forecasting capabilities, ongoing improvements to our understanding of price/demand relationships, and greater automation of the decision processes. We believe these revenue management capabilities allow us to make more advantageous decisions to enhance revenue.

We also continue to support our international growth strategy with customized websites for international markets and localized support for our cruise programs in those markets. These international websites include online check-in in local languages as well as special offers and promotions.

Travel Agency Support and Direct Business

Travel agencies generate the majority of bookings for our ships. We believe in the value of this distribution channel and invest heavily in maintaining strong relationships with our travel agents. To accomplish this goal, we seek to ensure that our commission rates and incentive structures remain competitive with our competitors. In addition, our sales teams focus on the unique qualities of each brand and provide support to the travel agency community. Our website *Cruisingpower.com* continues to be an industry-leading website exclusive to the travel agency community. Royal Caribbean International continues to enhance its online training certification program, University of Wow, and Celebrity Cruises continues to promote Five Star Academy, its online travel agent partner learning suite. In addition, over the past several years, we have completed several key enhancements to simplify the online booking process via our CruiseMatch trade booking tool based on feedback from our travel agent partners.

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In 2010, we introduced a new virtual tradeshow platform, providing travel agents the opportunity to attend a Royal Caribbean International, Celebrity Cruises or Azamara Club Cruises tradeshow event by logging in from their own computer. These events consist of online training sessions, online general sessions with key note speakers and online tradeshow booths all designed to educate, motivate and inform travel agents about our brands.

We have customer service representatives that are trained to assist travel agents in providing a higher level of service, and *Insight*, the first service tool of its kind in the industry, assists agencies with productivity and enhances customer service. We currently operate reservation call centers to support our travel agent community in the United States, Canada, France, Spain and the United Kingdom which allow us to provide flexible and extended hours of operations.

We also have certified vacation planners in our call centers located throughout the world offering cruise planning expertise and personal attention to our guests. We maintain websites that allow guests to plan and book a cruise and customize their reservations for Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises. During 2010, we have placed a significant focus on building strong relationships with our guests before, during and after their cruise vacation with the objective of establishing customer engagement and continued loyalty. As part of this focus, we have established ongoing social media platforms to increase awareness for both repeat and new guests and we have emphasized marketing through our loyalty programs. As a result, we continue to experience an increase in the use of our internet sites and consumer outreach centers as a source of our overall bookings. Guests can also book their cruise vacations onboard our ships.

Guest Services

We offer to handle virtually all travel aspects related to guest reservations and transportation, including arranging guest pre- and post-hotel stay arrangements and air transportation. We offer our guests the ability to check-in online in order to alleviate boarding time during embarkation. In 2010, our air/sea program introduced our new Choice Air web based tool which offers guests their choice of flights and the ability to customize flight arrangements by selecting a specific airline, flight and class of service. Choice Air can be accessed and utilized by both travel agents and guests.

The Royal Caribbean International guest loyalty program, Crown & Anchor Society, has over five million members worldwide and includes benefits such as a secured dedicated section in the *www.royalcaribbean.com* internet site with special cruise offers and onboard amenities. In early 2011, Royal Caribbean International launched an enhanced Crown & Anchor Society loyalty member section on its website which included redesigned pages, images and content links outlining new loyalty program details, promotional offer presentations and video streaming. In addition, the website will enable guests to select stateroom upgrades, onboard benefit preferences and manage their membership status and information. The Celebrity Cruises guest loyalty program, Captain s Club has over one million members. Captain s Club members enjoy exclusive members-only onboard programs and amenities, and are provided with a secured area on the Celebrity Cruises website, which communicates select products. The website was upgraded in 2010 to offer more interactive features and ways for Captain s Club members to view and manage their membership information, including details about their sailing history and upcoming reservations.

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Operations

Cruise Ships and Itineraries

As of December 31, 2010, we operate 40 ships under five cruise brands, with a selection of worldwide itineraries ranging from two to 18 nights that call on approximately 420 destinations. *Celebrity Silhouette* is expected to enter revenue service in the third quarter of 2011. Through our joint venture with TUI AG, TUI Cruises operates *Mein Schiff* which will offer sailings in Europe during 2011. As previously announced, we will be selling *Celebrity Mercury* to TUI Cruises to serve as its second ship. The sale is expected to close at the end of February 2011 and the ship will enter service with TUI Cruises in the second quarter of 2011, under the name *Mein Schiff 2,* following an extensive refurbishment.

The following table represents summary information concerning the ships we operate under our five cruise brands and their areas of operation based on 2011 itineraries (subject to change). It does not include Pullmantur s *Atlantic Star* which is currently not in operation and which we plan to sell.

Ship	Year Ship Entered or Will Enter Service[1]	Approximate Berths	Primary Areas of Operation
Royal Caribbean International			
Allure of the Seas	2010	5,400	Eastern/Western Caribbean
Oasis of the Seas	2009	5,400	Eastern/Western Caribbean
Independence of the Seas	2008	3,600	Europe
Liberty of the Seas	2007	3,600	Europe, Eastern/Western Caribbean
Freedom of the Seas	2006	3,600	Eastern/Western Caribbean
Jewel of the Seas	2004	2,100	Caribbean, Canada/New England, Europe
Mariner of the Seas	2003	3,100	Western Caribbean, Europe, Brazil
Serenade of the Seas	2003	2,100	Southern Caribbean
Navigator of the Seas	2002	3,100	Western Caribbean, Europe
Brilliance of the Seas	2002	2,100	Europe, Middle East
Adventure of the Seas	2001	3,100	Southern Caribbean, Europe
Radiance of the Seas	2001	2,100	Alaska, Australia, Caribbean
Explorer of the Seas	2000	3,100	Eastern/Southern Caribbean, Bermuda, Canada/New England
Voyager of the Seas	1999	3,100	Western Caribbean, Europe
Vision of the Seas	1998	2,000	Europe, Brazil
Enchantment of the Seas	1997	2,250	Eastern/Western Caribbean, Bermuda, Canada/New England
Rhapsody of the Seas	1997	2,000	Australia/New Zealand, Alaska, Hawaii
Grandeur of the Seas	1996	1,950	Europe, Southern Caribbean
Splendour of the Seas	1996	1,800	Europe, Brazil
Legend of the Seas	1995	1,800	Asia
Majesty of the Seas	1992	2,350	Bahamas
Monarch of the Seas	1991	2,350	Bahamas
Celebrity Cruises			
Celebrity Silhouette	2011	2,850	Europe, Eastern / Southern Caribbean
Celebrity Eclipse	2010	2,850	Europe, Caribbean
Celebrity Equinox	2009	2,850	Europe, Caribbean
Celebrity Solstice	2008	2,850	Europe, Caribbean
Celebrity Constellation	2002	2,050	Caribbean, Europe, Panama Canal
Celebrity Summit	2001	2,050	Southern Caribbean, Bermuda, Canada/New England
Celebrity Infinity	2001	2,050	Alaska, Panama Canal, South America
Celebrity Millennium	2000	2,050	Caribbean, Panama Canal, Alaska
Celebrity Mercury	1997	1,850	Eastern Caribbean

Celebrity Century	1995	1,800	Western Caribbean, Europe, Alaska, Hawaii, Australia/New Zealand

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Celebrity Xpedition[2]	2004	96	Galapagos Islands
Azamara Club Cruises			
Azamara Journey[3]	2004	700	Europe, Caribbean, Panama Canal, South America
Azamara Quest[4]	2006	700	Europe, Asia
Pullmantur			
Ocean Dream[5]	2008	1,000	Southern Caribbean, Mexico
Zenith	1992	1,400	Mediterranean, Brazil
Empress	1990	1,600	Europe, Brazil
Sovereign	1988	2,300	Western Mediterranean, Brazil
Horizon[6]	1990	1,350	Mexico, Europe
CDF Croisières de France			
Bleu de France[7]	2005	750	Europe
Total		95,146	

1 The year a ship entered or will enter service refers to the year in which the ship commenced cruise revenue operations for the Company, which is the same as the year the ship was built, unless otherwise noted.
2 *Celebrity Xpedition* was built in 2001.
3 *Azamara Journey* (formerly *Blue Dream*) was built in 2000.
4 *Azamara Quest* (formerly *Blue Moon*) was built in 2000.
5 *Ocean Dream* was built in 1981.
6 *Horizon* was built in 1990. The ship was sailing under the name *Pacific Dream* through October 2010. Since then, the ship has been sailing under the name *Horizon.*
7 *Bleu de France* (formerly *Holiday Dream)* was built in 1981. In November 2010, *Bleu de France* was sold to an unrelated party. As part of the sale agreement, we chartered the *Bleu de France* from the buyer for a period of one year from the sale date in order to fulfill existing passenger commitments.

We have two Solstice-class ships on order for Celebrity Cruises. These ships are being built in Germany by Meyer Werft GmbH. The expected dates these ships will enter service and their planned number of berths are as follows:

Ship	**Expected to Enter Service**	**Approximate Berths**
Celebrity Cruises - Solstice-class:		
Celebrity Silhouette	3rd Quarter 2011	2,850
Celebrity Reflection	4th Quarter 2012	3,000
	Total Berths	5,850

In February 2011, we reached a conditional agreement with Meyer Werft to build the first of a new generation of Royal Caribbean International cruise ships. The ship will have a capacity of approximately 4,100 berths based on double occupancy and is expected to enter service in the fourth quarter of 2014. We also have an option to construct a second ship of the same class which will expire on February 28, 2012, subject to earlier acceleration under certain circumstances.

Seasonality

Our revenues are seasonal based on the demand for cruises. Demand is strongest for cruises during the Northern Hemisphere s summer months and holidays. In order to mitigate the impact of the winter weather in the Northern Hemisphere and to capitalize on the summer season in the Southern Hemisphere, our brands have increased deployment to South America and Australia during the Northern Hemisphere winter months.

Passengers and Capacity

Selected statistical information is shown in the following table (see Description of Certain Line Items and Selected Operational and Financial Metrics under Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*, for definitions). (Amounts include Pullmantur effective January 1, 2007):

	Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Passengers Carried	4,585,920	3,970,278	4,017,554	3,905,384	3,600,807
Passenger Cruise Days	32,251,217	28,503,046	27,657,578	26,594,515	23,849,606
Available Passenger Cruise Days (APCD)	30,911,073	27,821,224	26,463,637	25,155,768	22,392,478
Occupancy	104.3%	102.5%	104.5%	105.7%	106.5%

Cruise Pricing

Our cruise ticket prices include accommodations and a wide variety of activities and amenities, including meals and entertainment. Prices vary depending on the destination, cruise length, stateroom category selected and the time of year the cruise takes place. Although we grant credit terms to certain travel agencies and tour operators outside of the United States, our payment terms generally require an upfront deposit to confirm a reservation with the balance due prior to the sailing. During the selling period of a cruise, we continually monitor and adjust our cruise ticket prices for available guest staterooms based on demand, with the objective of maximizing net yields. Historically, we have opened cruises for sale at least one year in advance and often as much as two years in advance. Additionally, we offer air transportation as a service for guests that elect to utilize our transportation program. Our air transportation program is available in major cities around the world and prices vary by gateway and destination. Generally, air tickets are sold to guests at prices close to cost. Passenger ticket revenues accounted for 72.7%, 71.4% and 72.4% of total revenues in 2010, 2009 and 2008, respectively.

From time to time, we have introduced temporary fuel supplements to partially offset a portion of fuel costs, which result in an additional fee being charged to the guests. While none of our brands are currently charging fuel supplements, we reserve the right to reinstate our fuel supplements in one or more of our brands and will continue to monitor our markets and review our position based upon the appropriate facts and circumstances.

Onboard Activities and Other Revenues

Our cruise brands offer modern fleets with a wide array of onboard services, amenities and activities which vary by brand and ship including swimming pools, sun decks, lawn decks, spa facilities (which include massage and exercise facilities), beauty salons, bungee jumping trampolines, boxing rings, gaming facilities, lounges, bars, a wide variety of dining options and venues, Las Vegas-style entertainment, hot glass shows, retail shopping, libraries, dedicated recreational areas for youth of all ages, cinemas, conference centers, internet services & cafes and shore excursions at each port of call. While many onboard activities are included in the base price of a cruise, we realize additional revenues from, among other things, gaming, the sale of alcoholic and other beverages, gift shop items, shore excursions, photography, spa/salon and fitness services, art auctions and a wide variety of specialty restaurants and dining options. A flexible dining option, My Time Dining and Celebrity Select Dining , allows guests for Royal Caribbean International and Celebrity Cruises, respectively, to choose when they dine in the main dining room onboard, on a day-by-day basis, which includes the industry s first pre-cruise day-by-day flexible dining reservation system. Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises offer enhanced functionality on their respective internet sites for selecting shore excursions, specialty dining and amenities, including spa appointments and beverage packages for Royal Caribbean International and Celebrity Cruises prior to embarkation. Royal Caribbean International and Celebrity Cruises also offer a catalogue gift service, which is now offered via the internet to provide travel agents and others the opportunity to purchase gifts for guests.

In conjunction with our cruise vacations, we offer pre- and post-cruise hotel packages to our Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises guests. We also offer these guests escorted, premium land-tour vacation packages in Alaska, Asia, Australia, the Canadian Rockies, Europe, New Zealand and Latin America

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through our cruise-tour operations, Royal Celebrity Tours. Pullmantur also offers land-based travel packages to Spanish and European vacation travelers including hotels and flights to Caribbean resorts and sells land based tour packages to Europe aimed at Latin American guests. In addition, we sell cruise vacation protection coverage, which provides guests with coverage for trip cancellation, medical protection and baggage protection. Onboard and other revenues accounted for 27.3%, 28.6% and 27.6% of total revenues in 2010, 2009 and 2008, respectively.

Segment Reporting

We operate five wholly-owned cruise brands, Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamara Club Cruises and CDF Croisières de France. The brands have been aggregated as a single reportable segment based on the similarity of their economic characteristics, types of customers, regulatory environment, maintenance requirements, supporting systems and processes as well as products and services provided. Our Chairman and Chief Executive Officer has been identified as the chief operating decision-maker and all significant operating decisions including the allocation of resources are based upon the analyses of the Company as one segment. (For financial information see Item 8. *Financial Statements and Supplementary Data*.)

Employees

As of December 31, 2010, we employed approximately 5,200 full-time and 850 part-time employees worldwide in our shoreside operations. We also employed approximately 52,000 shipboard employees. As of December 31, 2010, approximately 80% of our shipboard employees were covered by collective bargaining agreements. Based on employee survey results, we believe our employees satisfaction level with our organization is strong.

Insurance

We maintain insurance on the hull and machinery of our ships, which includes additional coverage for disbursements, earnings and increased value, which are maintained in amounts related to the value of each ship. The coverage for each of the hull policies is maintained with syndicates of insurance underwriters from the British, Scandinavian, French, United States and other international insurance markets.

We maintain liability protection and indemnity insurance for each of our ships through either the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited, the Steamship Mutual Underwriting Association (Bermuda) Limited or the Assuranceforeningen SKULD (Gjensidig). Our protection and indemnity liability insurance is done on a mutual basis and we are subject to additional premium calls in amounts based on claim records of all members of the mutual protection and indemnity association. We are also subject to additional premium calls based on investment shortfalls experienced by the insurer.

We maintain war risk insurance, including terrorist risk insurance, on each ship through a Norwegian war risk insurance organization. This coverage includes coverage for physical damage to the ship which is not covered under the hull policies as a result of war exclusion clauses in such hull policies. We also maintain protection and indemnity war risk coverage for risks that would be excluded by the rules of the indemnity insurance organizations, subject to certain limitations. Consistent with most marine war risk policies, under the terms of our war risk insurance coverage, underwriters can give seven days notice to us that the policy will be canceled and reinstated at higher premium rates.

Insurance coverage for shoreside property, shipboard inventory, and general liability risks are maintained with insurance underwriters in the United States and the United Kingdom.

We do not carry business interruption insurance for our ships based on our evaluation of the risks involved and protective measures already in place, as compared to the cost of insurance. We carry business interruption insurance for certain of our shoreside operations.

All insurance coverage is subject to certain limitations, exclusions and deductible levels. In addition, in certain circumstances, we co-insure a portion of these risks. Premiums charged by insurance carriers, including carriers in the maritime insurance industry, increase or decrease from time to time and tend to be cyclical in nature. These cycles are impacted both by our own loss experience and by losses incurred in direct and reinsurance markets. We historically have been able to obtain insurance coverage in amounts and at premiums we have deemed to be commercially acceptable. No assurance can be given that affordable and secure insurance markets will be available to us in the future, particularly for war risk insurance.

The Athens Convention relating to the Carriage of Passengers and their Luggage by Sea (1974) and the 1976 Protocol to the Athens Convention are generally applicable to passenger ships. The United States has not ratified the Athens Convention; however, with limited exceptions, the 1976 Athens Convention Protocol may be contractually enforced with respect to those of our cruises that do not call at a United States port. The International Maritime Organization Diplomatic Conference agreed upon a new Protocol to the Athens Convention on November 1, 2002. The 2002 Protocol, which is not yet in force, substantially increases the level of compulsory insurance, which must be maintained by passenger ship operators. No assurance can be given as to if or when the 2002 Protocol will come into force. If in force, no assurance can be given that affordable and secure insurance markets will be available to provide the level of coverage required under the 2002 Protocol.

Trademarks

We own a number of registered trademarks related to the Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises, Pullmantur and CDF Croisières de France cruise brands. The registered trademarks include the name Royal Caribbean and its crown and anchor logo, the name Celebrity Cruises and its X logo, the name Azamara Club Cruises and its logo, the names Pullmantur Cruises and Pullmantur and their logos, the name CDF Croisières de France and its logo, and the names of various cruise ships. We believe our trademarks are widely recognized throughout the world and have considerable value.

Regulation

Our ships are regulated by various international, national, state and local laws, regulations and treaties in force in the jurisdictions in which they operate. In addition, our ships are registered in the Bahamas, Malta or in the case of *Celebrity Xpedition*, Ecuador. Each ship is subject to regulations issued by its country of registry, including regulations issued pursuant to international treaties governing the safety of our ships, guests and crew as well as environmental protection. Each country of registry conducts periodic inspections to verify compliance with these regulations as discussed more fully below. Ships operating out of United States ports are subject to inspection by the United States Coast Guard for compliance with international treaties and by the United States Public Health Service for sanitary conditions. Our ships are also subject to similar inspections pursuant to the laws and regulations of various other countries our ships visit.

We believe that we are in material compliance with all the regulations applicable to our ships and that we have all licenses necessary to conduct our business. Health, safety, security, environmental and financial responsibility issues are, and we believe will continue to be, an area of focus by the relevant government authorities in the United States and internationally. From time to time, various regulatory and legislative changes may be proposed that could impact our operations and subject us to increasing compliance costs in the future.

Safety Regulations

Our ships are required to comply with international safety standards defined in the International Convention for Safety of Life at Sea (SOLAS), which among other things, establishes requirements for ship design, structural features, materials, construction, life saving equipment and safe management and operation of ships to ensure guest and crew safety. The SOLAS standards are revised from time to time and the most recent modifications were phased in through 2010. Compliance with these modified standards did not a have a material effect on our operating costs. SOLAS incorporates the International Safety Management Code (ISM Code), which provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code is mandatory for passenger vessel operators. All of our operations and ships are regularly audited by national authorities and maintain the required certificates of compliance with the ISM Code.

In July 2010, the U.S. adopted the Cruise Vessel Security and Safety Act of 2010, which applies to passenger vessels which embark or include port stops within the United States. This act requires the implementation of certain safety design features as well the establishment of practices for the reporting of and dealing with allegations of crime. We do not expect that compliance with these provisions will require any material expenditures or materially increase our operating costs.

Security Regulations

Our ships are subject to various security requirements, including the International Ship and Port Facility Security Code (ISPS Code), which is part of SOLAS, and the U.S. Maritime Transportation Security Act of 2002 (MTSA), which applies to ships that operate in U.S. ports. In order to satisfy these security requirements, we implement security measures, conduct vessel security assessments, and develop security plans. The security plans for all of our ships have been submitted to and approved by the respective countries of registry for our ships in compliance with the ISPS Code and the MTSA.

Environmental Regulations

We are subject to various United States and international laws and regulations relating to environmental protection. Under such laws and regulations, we are prohibited from, among other things, discharging certain materials, such as petrochemicals and plastics, into the waterways. We have made, and will continue to make, capital and other expenditures to comply with environmental laws and regulations. From time to time, environmental and other regulators consider more stringent regulations, which may affect our operations and increase our compliance costs. We believe that the impact of cruise ships on the global environment will continue to be an area of focus by the relevant authorities throughout the world and, accordingly, will likely subject us to increasing compliance costs in the future.

Our ships are subject to the International Maritime Organization s (IMO) regulations under the International Convention for the Prevention of Pollution from Ships (the MARPOL Regulations), which includes requirements designed to prevent and minimize pollution by oil, sewage, garbage and air emissions. We have obtained the relevant international compliance certificates relating to oil, sewage and air pollution prevention for all of our ships.

On January 1, 2010, a European Union directive regarding the use of low sulfur fuels for ships became effective. The directive places a 0.1% sulfur content limit on all marine fuels used by such ships while berthed or anchored in European Union ports. Compliance with this directive requires us to use distillate fuels such as marine gas oil. This has not had a material effect on our fuel and operating costs.

The MARPOL Regulations impose global limitations on the sulfur content of fuel used by ships operating worldwide, which are currently 4.5% and are required to be reduced to 3.5% by January 1, 2012. We do not expect that this required reduction will have a material effect on our fuel and operating costs. These regulations will also require the worldwide limitations on sulfur content of fuel to be reduced to 0.5% by January 1, 2020, subject to a feasibility review to be completed by IMO no later than 2018. If such a reduced limitation is implemented worldwide in 2020, our fuel costs could increase significantly.

The MARPOL Regulations also establish special Emission Control Areas (ECAs) with stringent limitations on sulfur and nitrogen oxide emissions in these areas. As of July 1, 2010, ships operating in designated ECAs were required to reduce their fuel sulfur content from 1.5% to 1.0%. Under these regulations, ships operating in ECAs will be required to further reduce their fuel sulfur content to 0.1% beginning on January 1, 2015.

As of the date of this report, both the Baltic Sea and the North Sea/English Channel have been established as ECAs. During 2010, the IMO accepted and adopted the application by the United States, France and Canada to designate as an ECA waters within 200 nautical miles of their east, west and gulf coasts, as applicable, as well as the Hawaiian Islands, but excluding certain areas within the Caribbean Basin such as the Bahamas, the Canadian Arctic, Western Alaska and the Aleutian Islands. This designation will be effective as of August 1, 2012. In addition, the United States has applied to designate the waters surrounding Puerto Rico and the US Virgin Islands as an ECA. This request was approved by the IMO at the Marine Environment Protection Committee in September 2010. If adopted, this ECA would likely come into effect during the summer of 2013.

As of the date hereof, the required sulfur content reductions in the existing ECAs has not had a material impact on our operations and we do not expect the initial required sulfur content reductions in either the United States and Canadian ECA or the proposed Puerto Rico/US Virgin Islands ECA will have a material effect on our fuel and operating costs. However, the additional reduction to 0.1% as of January 1, 2015 could significantly increase our costs after this date based on current capacities, fuel prices, itineraries and technologies. The cost impact from implementing progressively

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lower sulfur content requirements after January 1, 2015 is not reasonably determinable given the length of time until such possible implementation and the applicability of many possible mitigating factors, such as changes in the future supply and demand for fuel, the development of emissions abatement technologies, including new engine designs or exhaust gas treatment systems, the cost migration effects of equivalent compliance initiatives and new fuel conservation initiatives.

We are required to obtain certificates from the United States Coast Guard relating to our ability to satisfy liability in cases of water pollution. Pursuant to United States Coast Guard regulations, we arrange through our insurers for the provision of guarantees aggregating $347.2 million as a condition to obtaining the required certificates.

Labor Regulations

The International Labour Organization, an agency of the United Nations that develops worldwide employment standards, has adopted a new Consolidated Maritime Labour Convention (the Convention). The Convention, which will be effective one year following ratification by at least 30 countries representing at least 33% of the world gross tonnage, reflects standards and conditions to govern all aspects of crew management for ships in international commerce, including additional requirements relating to the health, safety and status of crewmembers not previously in effect. The Convention is expected to be ratified sometime in 2011, in which case it would enter into force in 2012. Our expenses will likely increase following its effectiveness; however, the amount of the increase is not reasonably determinable pending the enactment of legislation to implement new standards outlined in the Convention by the enacting countries.

Consumer Financial Responsibility Regulations

We are required to obtain certificates from the United States Federal Maritime Commission relating to our ability to satisfy liability in cases of non-performance of obligations to guests, as well as casualty and personal injury. Pursuant to the United States Federal Maritime Commission regulations, we arrange through our insurers for the provision of guarantees aggregating $30.0 million for our ship-operating companies as a condition to obtaining the required certificates. In December 2009, the United States Federal Maritime Commission issued an inquiry to solicit information concerning the benefits and burdens of the financial responsibility regulations which could result in enactment of revisions to the regulations that could significantly increase the amount of our bonds and accordingly increase our costs of compliance.

We are also required by the United Kingdom and other jurisdictions to establish our financial responsibility for any liability resulting from the non-performance of our obligations to guests from these jurisdictions. In the United Kingdom, we are currently required by the Association of British Travel Agents to provide performance bonds totaling approximately £30.5 million. We are also required to pay to the United Kingdom Civil Aviation Authority a non-refundable levy of £2.50 per guest where we arrange a flight as part of the cruise vacation.

Regulations Regarding Protection of Disabled Persons

In 2010, the United States Department of Transportation issued regulations (the New ADA Regulations) addressing various issues applicable to passenger vessels under the American with Disabilities Act (the ADA). Part I of the New ADA Regulations, which include required reservation policies for disabled guests and requirements for aids and services to disabled passengers, became effective starting in January 2011. We are in compliance with Part I of the New ADA Regulations and did not make any material expenditures to comply. Part II, when issued, is expected to address physical accessibility standards. While we believe our vessels have been designed and outfitted to meet the needs of our disabled guests, we cannot at this time accurately predict whether we will be required to make material modifications or incur significant additional expenses in response to Part II of the New ADA Regulations.

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Taxation of the Company

United States Federal Income Tax

The following discussion of the application of the United States federal income tax laws to us and our subsidiaries is based on the current provisions of the United States Internal Revenue Code, Treasury Department regulations, administrative rulings, and court decisions. All of the foregoing is subject to change, and any such change could affect the accuracy of this discussion.

Application of Section 883 of the Internal Revenue Code

We and our subsidiary, Celebrity Cruises Inc., the operator of Celebrity Cruises and Azamara Club Cruises, are foreign corporations engaged in a trade or business in the United States, and our ship-owning subsidiaries are foreign corporations that, in many cases, depending upon the itineraries of their ships, receive income from sources within the United States. Under Section 883 of the Internal Revenue Code, certain foreign corporations are not subject to United States federal income or branch profits tax on United States source income derived from or incidental to the international operation of a ship or ships, including income from the leasing of such ships.

A foreign corporation will qualify for the benefits of Section 883 if, in relevant part: (1) the foreign country in which the foreign corporation is organized grants an equivalent exemption to corporations organized in the United States; and (2)(A) more than 50% of the value of the corporation s capital stock is owned, directly or indirectly, by individuals who are residents of a foreign country that grants such an equivalent exemption to corporations organized in the United States, or (B) the stock of the corporation (or the direct or indirect corporate parent thereof) is primarily and regularly traded on an established securities market in the United States or another qualifying country such as Norway. In the opinion of our United States tax counsel, Drinker Biddle & Reath LLP, based on the representations and assumptions set forth in that opinion, we, Celebrity Cruises Inc. and our ship-owning subsidiaries qualify for the benefits of Section 883 because we and each of those subsidiaries are incorporated in Liberia or Malta, which are qualifying countries, and our common stock is primarily and regularly traded on an established securities market in the United States or Norway. If, in the future, (1) Liberia no longer qualifies as an equivalent exemption jurisdiction, and we do not reincorporate in a jurisdiction that does qualify for the exemption, or (2) we fail to qualify as a publicly traded corporation, we and all of our ship-owning or operating subsidiaries that rely on Section 883 for tax exemption on qualifying income would be subject to United States federal income tax on their United States source shipping income and income from activities incidental thereto.

We believe that most of our income and the income of our ship-owning subsidiaries is derived from or incidental to the international operation of a ship or ships and, therefore, is exempt from taxation under Section 883. In 2005, final regulations became effective under Section 883, which, among other things, narrowed somewhat the scope of activities that are considered by the Internal Revenue Service to be incidental to the international operation of ships. The activities listed in the regulations as not being incidental to the international operation of ships include income from the sale of air and land transportation, shore excursions and pre- and post-cruise tours. To the extent the income from these activities is earned from sources within the United States, that income will be subject to United States taxation.

Under certain circumstances, changes in the identity, residence or holdings of our direct or indirect shareholders could cause our common stock not to be regularly traded on an established securities market within the meaning of the regulations under Section 883. To substantially reduce any such risk, in May 2000, our Articles of Incorporation were amended to prohibit any person, other than our two existing largest shareholders, from owning, directly or constructively as determined for purposes of Section 883(c)(3) of the Internal Revenue Code and the regulations promulgated under it, more than 4.9% of the relevant class or classes of our shares. Under Liberian law, this amendment may not be enforceable with respect to shares of common stock that were voted against the amendment or that were recorded as abstaining from the vote.

Also, it should be noted that Section 883 has been the subject of legislative modifications in past years that have had the effect of limiting its availability to certain taxpayers, and there can be no assurance that future legislation will not preclude us from obtaining the benefits of Section 883.

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Taxation in the Absence of an Exemption under Section 883 of the Internal Revenue Code

If we, Celebrity Cruises Inc., or our ship-owning subsidiaries were to fail to meet the requirements of Section 883 of the Internal Revenue Code, or if the provision was repealed, then, as explained below, such companies would be subject to United States income taxation on a portion of their income derived from or incidental to the international operation of our ships.

Because we and Celebrity Cruises Inc. conduct a trade or business in the United States, we and Celebrity Cruises Inc. would be taxable at regular corporate rates on our separate company taxable income (i.e., without regard to the income of our ship-owning subsidiaries), from United States sources, which includes 100% of income, if any, from transportation that begins and ends in the United States (not including possessions of the United States), 50% of income from transportation that either begins or ends in the United States, and no income from transportation that neither begins nor ends in the United States. The legislative history of the transportation income source rules suggests that a cruise that begins and ends in a United States port, but that calls on more than one foreign port, will derive United States source income only from the first and last legs of such cruise. This conclusion is not free from doubt, however, because there are no regulations or other Internal Revenue Service interpretations of the above rules. In addition, if any of our earnings and profits effectively connected with our United States trade or business were withdrawn, or were deemed to have been withdrawn, from our United States trade or business, those withdrawn amounts would be subject to a branch profits tax at the rate of 30%. The amount of such earnings and profits would be equal to the aforesaid United States source income, with certain generally minor adjustments, less income taxes. We and Celebrity Cruises Inc. would also be potentially subject to tax on portions of certain interest paid by us at rates of up to 30%.

If Section 883 were not available to our ship-owning subsidiaries, each such subsidiary would be subject to a special 4% tax on its United States source gross transportation income, if any, each year because it does not have a fixed place of business in the United States and its income is derived from the leasing of a ship. Such United States source gross transportation income may be determined under any reasonable method, including ratios of days traveling directly to or from United States ports to total days traveling, or of the lessee s United States source gross income from the ship (as determined under the source rules discussed in the preceding paragraph, and subject to the assumptions and qualifications set forth therein) to the lessee s total gross income from the ship.

Maltese Income Tax

Our Pullmantur ship owner-operator subsidiaries qualify as licensed shipping organizations in Malta. No Maltese income tax is charged on the income derived from shipping activities of a licensed shipping organization. Instead, a licensed shipping organization is liable to pay a tonnage tax based on the net tonnage of the ship or ships registered under the relevant provisions of the Merchant Shipping Act. A company qualifies as a shipping organization if it engages in qualifying activities and it obtains a license from the Registrar-General to enable it to carry on such activities. Qualifying activities include, but are not limited to, the ownership, operation (under charter or otherwise), administration and management of a ship or ships registered as a Maltese ship in terms of the Merchant Shipping Act and the carrying on of all ancillary financial, security and commercial activities in connection therewith.

Our Maltese operations that do not qualify as licensed shipping organizations, which are not considered significant, remain subject to normal Maltese corporate income tax.

United Kingdom Income Tax

The *Brilliance of the Seas* is operated by a company that is strategically and commercially managed in the United Kingdom, which has elected to be subject to the United Kingdom tonnage tax regime (U.K. tonnage tax). Commencing in 2011, to facilitate our growth strategy, an additional eleven ships from our fleet will be operated by a newly created company that is strategically and commercially managed in the United Kingdom and will also elect to be subject to the U.K. tonnage tax regime.

Companies subject to U.K. tonnage tax pay a corporate tax on a notional profit determined with reference to the net tonnage of qualifying vessels. Normal United Kingdom corporate income tax is not chargeable on the relevant shipping profits of a qualifying U.K. tonnage tax company. The requirements for a company to qualify for the U.K. tonnage tax regime include being subject to United Kingdom corporate income tax, operating qualifying ships, which are strategically and commercially managed in the United Kingdom, and fulfilling a seafarer training requirement. Failure to meet any of these requirements could cause us to lose the benefit of the tonnage tax regime which will have a material effect on our results of operations.

Relevant shipping profits include income from the operation of qualifying ships and from shipping related activities. Our United Kingdom income from non-shipping activities which do not qualify under the U.K. tonnage tax regime and which are not considered significant, remain subject to United Kingdom corporate income tax.

State Taxation

We, Celebrity Cruises Inc. and certain of our subsidiaries are subject to various United States state income taxes which are generally imposed on each state s portion of the United States source income subject to federal income taxes. Additionally, the state of Alaska subjects an allocated portion of the total income of companies doing business in Alaska and certain other affiliated companies to Alaska corporate state income taxes and also imposes a 33% tax on income from onboard gambling activities conducted in Alaska waters. This did not have a material impact to our results of operations for all years presented.

Other Taxation

We and certain of our subsidiaries are subject to income tax in the United States or other jurisdictions on income that does not qualify for exemption under Section 883 or tonnage tax regimes. The tax on such income was not material to our results of operations for all years presented.

Website Access to Reports

We make available, free of charge, access to our Annual Reports, all quarterly and current reports and all amendments to those reports, as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission through our website at *www.rclinvestor.com*. The information contained on our website is not a part of any of these reports and is not incorporated by reference herein.

Executive Officers of the Company

As of February 24, 2011, our executive officers are:

Name	Age	Position
Richard D. Fain	63	Chairman, Chief Executive Officer and Director
Adam M. Goldstein	51	President and Chief Executive Officer, Royal Caribbean International
Daniel J. Hanrahan	53	President and Chief Executive Officer, Celebrity Cruises
Gonzalo Chico Barbier	50	President and Chief Executive Officer, Pullmantur
Lawrence Pimentel	59	President and Chief Executive Officer, Azamara Club Cruises
Brian J. Rice	52	Executive Vice President and Chief Financial Officer
Harri U. Kulovaara	58	Executive Vice President, Maritime
Michael W. Bayley	52	Executive Vice President, International

Richard D. Fain has served as a director since 1979 and as our Chairman and Chief Executive Officer since 1988. Mr. Fain has been involved in the shipping industry for over 30 years.

Adam M. Goldstein has served as President of Royal Caribbean International since February 2005 and as its President and Chief Executive Officer since September 2007. Mr. Goldstein has been employed with Royal Caribbean since 1988 in a variety of positions, including Executive Vice President, Brand Operations of Royal Caribbean International, Senior Vice President, Total Guest Satisfaction and Senior Vice President, Marketing. Mr. Goldstein served as National Chair of the United States Travel Association (formerly, Travel Industry Association of America) in 2001.

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Daniel J. Hanrahan has served as President of Celebrity Cruises since February 2005 and as its President and Chief Executive Officer since September 2007. Mr. Hanrahan served as President and Chief Executive Officer of Azamara Cruises until July 2009. From 1999 until February 2005, Mr. Hanrahan served in a variety of positions with the Royal Caribbean International brand, including Senior Vice President, Sales and Marketing.

Gonzalo Chico Barbier has served as President and Chief Executive Officer of Pullmantur since June 2008. From 1995 to June 2008, Mr. Chico served as Executive President of TNT Spain, a division of TNT, a global distribution, logistics and international mail service company. From 1986 until 1995, Mr. Chico was employed in a variety of positions with Ford Motor Company in Spain and in the United Kingdom, including Pan-European Fleet Business Manager of Ford of Europe, Ltd.

Lawrence Pimentel has served as President and Chief Executive Officer of Azamara Club Cruises since July 2009. From 2001 until January 2009, Mr. Pimentel was President, Chief Executive Officer, Director and co-owner of SeaDream Yacht Club, a privately held luxury cruise line located in Miami, Florida with two yacht-style ships that sailed primarily in the Caribbean and Mediterranean. From April 1991 to February 2001, Mr. Pimentel was President and Chief Executive Officer of Carnival Corp. s Seabourn Cruise Line and from May 1998 to February 2001, he was President and Chief Executive Officer of Carnival Corp. s Cunard Line.

Brian J. Rice has served as Executive Vice President and Chief Financial Officer since November 2006. Mr. Rice has been employed with Royal Caribbean since 1989 in a variety of positions including Executive Vice President, Revenue Performance. In such capacity, Mr. Rice was responsible for revenue management, air/sea, groups, international operations, decision support, reservations and customer service for both Royal Caribbean International and Celebrity Cruises.

Harri U. Kulovaara has served as Executive Vice President, Maritime, since January 2005. Mr. Kulovaara is responsible for fleet design and newbuild operations. Mr. Kulovaara also chairs our Maritime Safety Advisory Board. Mr. Kulovaara has been employed with Royal Caribbean since 1995 in a variety of positions, including Senior Vice President, Marine Operations, and Senior Vice President, Quality Assurance. Mr. Kulovaara is a naval architect and engineer.

Michael W. Bayley has served as Executive Vice President, International since May 2010. In this capacity, he is responsible for the international sales, marketing and other international business operations for Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises. Mr. Bayley has been employed by Royal Caribbean for over 29 years, serving in a number of roles including, most recently, as Senior Vice President, International. During his tenure with us, Mr. Bayley has also served as Senior Vice President, Hotel Operations for Royal Caribbean International where he oversaw worldwide hotel operations and onboard revenue as well as Chairman and Managing Director of Island Cruises.

Item 1A. Risk Factors

The risk factors set forth below and elsewhere in this Annual Report on Form 10-K are important factors that could cause actual results to differ from expected or historical results. It is not possible to predict or identify all such risks. The risks described below are only those known risks relating to our operations and financial condition that we consider material. There may be additional risks that we consider not to be material, or which are not known, and any of these risks could have the effects set forth below. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations for a cautionary note regarding forward-looking statements.

Adverse worldwide economic conditions could reduce the demand for cruises and adversely impact our operating results, cash flows and financial condition.

The demand for cruises is affected by international, national and local economic and business conditions and is sensitive to reductions in discretionary consumer spending. The recent severe economic downturn coupled with continued negative economic indicators, including high unemployment rates, the volatility in the price of fuel and declines in the securities, real estate and other markets, has had an adverse effect on vacationers discretionary income and consumer confidence. This, in turn, has resulted in cruise booking slowdowns, decreased cruise prices and lower onboard revenues for us and for the others in the cruise industry. Although the cruise industry began to recover in 2010, we cannot predict with any certainty whether demand for cruises will continue to improve or the rate of such improvement. Stagnant or worsening global economic conditions could result in a prolonged period of booking slowdowns, depressed cruise prices and reduced onboard revenues. This could adversely impact our operating results, cash flows and financial condition including the impairment of the value of our ships, goodwill and other assets.

We may not be able to obtain sufficient financing or capital for our needs or may not be able to do so on terms that are acceptable or consistent with our expectations.

To fund our capital expenditures and scheduled debt payments, we have historically relied on a combination of cash flows provided by operations, drawdowns under available credit facilities, the incurrence of additional indebtedness and the sale of equity or debt securities in private or public securities markets. The decrease in consumer cruise spending as a result of the recent severe economic downturn had an adverse impact on our cash flows from operations and if the current economic conditions worsen our operational cash flows could continue to be negatively affected. See *Adverse worldwide economic conditions could reduce the demand for cruises and adversely impact our operating results, cash flows and financial condition.*

Although we believe we have or can access sufficient liquidity to fund our operations and obligations as expected, there can be no assurances to that effect. Our ability to timely refinance and/or replace our credit facilities on acceptable terms and our ability to access additional funding, as may be needed, will depend upon continued and sustained improvements in the financial markets as well as our financial results and credit ratings and the performance of our industry in general. In addition, our ability to make draws under our revolving credit facilities is subject to the absence of any material adverse changes in our business.

Our inability to satisfy the covenants required by our credit facilities would adversely impact our liquidity.

Our debt agreements contain covenants, including covenants restricting our ability to take certain actions and financial covenants that require us to maintain minimum net worth and fixed charge coverage ratios and limit our net debt-to-capital ratio. Our ability to comply with the terms of our outstanding facilities may be affected by general economic conditions, industry conditions and other events, some of which may be beyond our control. Our failure to comply with the terms of our debt facilities could result in an event of default. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due and/or terminated. We cannot provide assurances that we would have sufficient liquidity to repay or refinance the borrowings under any of the credit facilities or settle our outstanding derivative contracts if such amounts were accelerated upon an event of default.

In addition, we have agreements with a number of credit card companies and processors that accept credit cards for the sale of cruises and other services. Under certain of these agreements, the credit card processor may hold back a reserve from our credit card receivables following the occurrence of certain events, including a default under our major credit facilities. As of December 31, 2010, we were not required to maintain any reserve under such agreements. If circumstances were to occur that would allow a credit card processor to require us to maintain a reserve, our liquidity would be negatively impacted.

The impact of disruptions in the global financial markets may affect the ability of our counterparties and others to perform their obligations to us.

The recent severe economic downturn, including failures of financial service companies and the related liquidity crisis, disrupted the capital and credit markets. A recurrence of these disruptions could cause our counterparties and others to breach their obligations to us under our contracts with them. This could include failures of banks or other financial service companies to fund required borrowings under our loan agreements or to pay us amounts that may become due under our derivative contracts for hedging of fuel prices, interest rates and foreign currencies or other agreements. If this occurs it may have a negative impact on our cash flows including our ability to meet our obligations, results of operations and financial condition.

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The increase in capacity resulting from delivery of newbuilds currently on order within the cruise industry could further adversely impact the demand for cruises or cruise pricing.

A total of 20 new ships are on order for delivery through 2014 in the cruise industry, two of which are ours. The further growth in capacity from these new ships, without an increase in the cruise industry s share of the vacation market, could depress cruise prices and compound our ability to achieve yield improvement.

If we are unable to appropriately balance our cost management strategy with our goal of satisfying guest expectations it may adversely impact our business success.

Our goals are to provide high quality products and deliver high quality services. There can be no assurances that we can successfully balance these goals with our cost containment strategy.

We may lose business to competitors throughout the vacation market.

We operate in the vacation market and cruising is one of many alternatives for people choosing a vacation. We therefore risk losing business not only to other cruise lines, but also to other vacation operators, which provide other leisure options including hotels, resorts and package holidays and tours.

We face significant competition from other cruise lines on the basis of cruise pricing, travel agent preference and also in terms of the nature of ships and services we offer to guests. Our principal competitors within the cruise vacation industry include Carnival Corporation & plc, which owns, among others, Aida Cruises, Carnival Cruise Lines, Costa Cruises, Cunard Line, Holland America Line, Iberocruceros, P&O Cruises and Princess Cruises; Disney Cruise Line; MSC Cruises; Norwegian Cruise Line and Oceania Cruises.

In the event that we do not compete effectively with other vacation alternatives and cruise companies, our results of operations and financial position could be adversely affected.

Fears of terrorist and pirate attacks, war, and other hostilities and the spread of contagious diseases could have a negative impact on our results of operations.

Events such as terrorist and pirate attacks, war, and other hostilities and the resulting political instability, travel restrictions, the spread of contagious diseases and concerns over safety, health and security aspects of traveling or the fear of any of the foregoing have had, and could have in the future, a significant adverse impact on demand and pricing in the travel and vacation industry. These events could also impact our ability to source qualified crew from throughout the world at competitive costs and, therefore, increase our shipboard employee costs.

Incidents or adverse publicity concerning the cruise vacation industry, unusual weather conditions and other natural disasters or disruptions could affect our reputation and harm our future sales and results of operations.

The operation of cruise ships involves the risk of accidents, illnesses and other incidents which may bring into question guest safety, health, security and vacation satisfaction and create a perception that cruising is more dangerous than other vacation alternatives. Incidents involving cruise ships, and, in particular our cruise ships, adverse media publicity concerning the cruise vacation industry or unusual weather patterns or natural disasters or disruptions, such as hurricanes and earthquakes, could impact demand for our cruises. In addition, any events which impact the travel industry more generally may negatively impact our ability to deliver guests to our cruises and/or interrupt our ability to obtain services and goods from key vendors in our supply chain. Any of the foregoing could have an adverse impact on our results of operations and on future industry performance.

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Environmental, labor, health and safety, financial responsibility and other maritime regulations could affect operations and increase operating costs.

The United States and various state and foreign government or regulatory agencies have enacted or are considering new environmental regulations or policies, such as requiring the use of low sulfur fuels, increasing fuel efficiency requirements or further restricting emissions that could increase our cost for fuel and adversely impact the cruise vacation industry. See Item 1. Business Regulation Environmental Regulations. An increase in fuel prices not only impacts our fuel costs, but also some of our other expenses, such as crew travel, freight and commodity prices. In addition, initiatives to limit greenhouse gas emissions have been introduced or are being considered in several European countries, and, beginning in January 2011, the U.S. Environmental Protection Agency began regulating the carbon emissions of companies operating in the United States. Although not all initiatives are likely to be implemented, it is apparent that future legislation and regulations related to climate change could impact the cruise industry and adversely impact our costs. Some environmental groups have also lobbied for more stringent regulation of cruise ships and have generated negative publicity about the cruise vacation industry and its environmental impact.

With regards to labor, we anticipate that the new standards set forth in the Maritime Labour Convention when ratified and effective (which we currently believe may occur in 2011 and 2012, respectively) will likely result in increased costs associated with our onboard employees. See Item 1. Business Regulation Labor Regulations. While we have been actively seeking ways to mitigate the potential impact on our business, there can be no assurances that our efforts will be successful or that our financial results of operations will not be materially impacted.

In addition, we are subject to various international, national, state and local laws, regulations and treaties that govern, among other things, safety standards applicable to our ships, treatment of disabled persons, health and sanitary standards applicable to our guests, security standards on board our ships and at the ship/port interface areas, and financial responsibilities to our guests. These issues are, and we believe will continue to be, an area of focus by the relevant authorities throughout the world. This could result in the enactment of more stringent regulation of cruise ships that would subject us to increasing compliance costs in the future.

Conducting business internationally may result in increased costs and other risks.

We operate our business internationally and plan to continue to develop our international presence. Operating internationally exposes us to a number of risks, including unstable local economic conditions. Certain countries have been more severely impacted by the recent economic downturn than other economies around the world where we do business including, for example, Spain where we operate our Pullmantur brand. Other risks attendant to operating internationally include volatile local political conditions, potential increases in duties and taxes, changes in laws and policies affecting cruising, vacation or maritime businesses or governing the operations of foreign-based companies, currency fluctuations, interest rate movements, imposition of trade barriers and restrictions on repatriation of earnings. If we are unable to address these risks adequately, our financial position and results of operations could be adversely affected, including the impairment of the value of our ships, goodwill and other assets.

Operating internationally exposes us to numerous and sometimes conflicting legal and regulatory requirements. In many parts of the world, including countries in which we operate, practices in the local business communities might not conform to international business standards. We may not be successful in ensuring that our employees and other representatives stationed throughout the world properly adhere to our policies or applicable laws or regulations. Failure to adhere to our policies or applicable laws or regulations could result in penalties, sanctions, damage to our reputation and related costs which in turn could negatively affect our results of operations and cash flow.

We have ship construction contracts which are denominated in euros. While we have entered into euro-denominated forward contracts to manage a portion of the currency risk associated with these ship construction contracts, we are exposed to fluctuations in the euro exchange rate for the portion of the ship construction contracts that has not been hedged. If the shipyard is unable to perform under the related ship construction contract, any foreign currency hedges that were entered into to manage the currency risk would need to be terminated. Termination of these contracts could result in a significant loss.

Our attempts to expand our business into new markets may not be successful.

Historically our focus has been to serve the North American cruise market, which continues to be our primary source of cruise passengers. We have expanded our focus to increase our international passenger sourcing, most recently, in the Brazilian, Asian and Australian markets. Expansion into new markets requires significant levels of investment. There can be no assurance that these markets will develop as anticipated or that we will have success in these markets, and if we do not, we may be unable to recover our investment, which could adversely impact our business, financial condition and results of operations.

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Ship construction, repair or refurbishment delays or mechanical faults may result in cancellation of cruises or unscheduled drydocks and repairs and thus adversely affect our results of operations.

We depend on shipyards to construct and deliver our cruise ships on a timely basis and in good working order. The sophisticated nature of building a ship involves risks. Delays or mechanical faults in ship construction have in the past and may in the future result in delays or cancellation of cruises or necessitate unscheduled drydocks and repairs of ships. We have, for example, experienced mechanical problems with the pod propulsion units on certain ships and there can be no assurance that we will not experience such problems in the future. These events and any related adverse publicity could result in lost revenue, increased operating expenses, or both, and thus adversely affect our results of operations.

Shipyards and their subcontractors may experience financial difficulties which could cause or result in delay, ship cancellations or increases in shipbuilding costs that could adversely affect our results of operations.

We rely on shipyards to construct, repair and refurbish our vessels. Financial difficulties, liquidations or closures suffered by these shipyards and/or their subcontractors may impact the timely delivery or costs of new ships or the ability of shipyards to repair and refurbish our existing fleet in accordance with our needs or expectations. Delivery delays and cancelled deliveries can adversely affect our results of operations, as can any constraints on our ability to repair and maintain our ships on a timely basis.

Our operating costs, especially fuel expenditures, could increase due to market forces and economic or geo- political factors beyond our control.

Expenditures for fuel represent a significant cost of operating our business. If fuel prices rise significantly in a short period of time, we may be unable to increase fares or other fees sufficiently to offset fully our increased fuel costs. We routinely hedge a portion of our future fuel requirements to protect against rising fuel costs. However, there can be no assurance that our hedge contracts will provide a sufficient level of protection against increased fuel costs or that our counterparties will be able to perform under our hedge contracts, such as in the case of a counterparty s bankruptcy. Further volatility in fuel prices or disruptions in fuel supplies could have a material adverse effect on our results of operations, financial condition and liquidity.

Our other operating costs, including food, payroll, airfare for our shipboard personnel, taxes, insurance and security costs are all subject to increases due to market forces and economic or political conditions or other factors beyond our control. Increases in these operating costs could adversely affect our profitability.

Unavailability of ports of call may adversely affect our results of operations.

We believe that port destinations are a major reason why passengers choose to go on a particular cruise or on a cruise vacation. The availability of ports is affected by a number of factors, including, but not limited to, existing capacity constraints, security concerns, adverse weather conditions and natural disasters, financial limitations on port development, exclusivity arrangements that ports may have with our competitors, local governmental regulations and local community concerns about port development and other adverse impacts on their communities from additional tourists. Any limitations on the availability of our ports of call or on the availability of shore excursion and other service providers at such ports could adversely affect our results of operations.

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Price increases for commercial airline service for our guests or major changes or reduction in commercial airline service could adversely impact the demand for cruises and undermine our ability to provide reasonably priced vacation packages to our guests.

Many of our guests depend on scheduled commercial airline services to transport them to or from the ports where our cruises embark or disembark. Increases in the price of airfare would increase the overall price of the cruise vacation to our guests which may adversely impact demand for our cruises. In addition, changes in the availability of commercial airline services could adversely affect our guest s ability to obtain airfare as well as our ability to fly our guests to or from our cruise ships which could adversely affect our results of operations.

Our reliance on travel agencies to sell and market our cruises exposes us to certain risks which, if realized, could adversely impact our business.

Because we rely on travel agencies to generate the majority of bookings for our ships, we must ensure that our commission rates and incentive structures remain competitive. If we fail to offer competitive compensation packages, these agencies may be incentivized to sell cruises offered by our competitors to our detriment, which could adversely impact our operating results. In addition, the travel agent industry is sensitive to economic conditions that impact discretionary income. Significant disruptions or contractions in the industry could reduce the number of travel agencies available for us to market and sell our cruises, which could have an adverse impact on our financial condition and results of operations.

A disruption in our shoreside business may adversely affect our results of operations.

Our principal executive office and shoreside operations are located at the Port of Miami, Florida and we have call centers for reservations throughout the world. Although we have developed disaster recovery and similar contingency plans, actual or threatened natural disasters (e.g. hurricanes, earthquakes, tornados, fires, floods), substantial or repeated information systems failures, computer viruses and hackers or similar events in these locations may have a material impact to our business continuity and results of operations. Further, we do not carry business interruption insurance for the majority of our shoreside operations. As such, any losses or damages incurred by us could have an adverse impact on our results of operations.

Failure to develop the value of our brands and differentiate our products could adversely affect our results of operations.

Our success depends on the strength and continued development of our cruise brands and on the effectiveness of our brand strategies. Failure to protect and differentiate our brands from competitors throughout the vacation market could adversely affect our results of operations.

The loss of key personnel, our inability to recruit or retain qualified personnel or disruptions among our shipboard personnel due to strained employee relations could adversely affect our results of operations.

Our success depends, in large part, on the skills and contributions of key executives and other employees, and on our ability to recruit and retain high quality employees. We must continue to recruit, retain and motivate management and other employees sufficient to maintain our current business and support our projected growth. Furthermore, as of December 31, 2010, 80% of our shipboard employees were covered by collective bargaining agreements. A dispute under our collective bargaining agreements could result in a work stoppage of those employees covered by the agreements. A loss of key employees or disruptions among our shipboard personnel could adversely affect our results of operations.

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Business activities that involve our co-investment with third parties may subject us to additional risks.

Partnerships, joint ventures, and other business structures involving our co-investment with third parties, such as our joint venture to operate TUI Cruises, generally include some form of shared control over the operations of the business and create additional risks, including the possibility that other investors in such ventures could become bankrupt or otherwise lack the financial resources to meet their obligations, or could have or develop business interests, policies or objectives that are inconsistent with ours. In addition, actions by another investor may present additional risks of operational difficulties.

We may not realize the intended benefits of our technological investments.

As part of our strategic focus, we intend to invest resources into technology that will be complementary to our business. Technology development can require a significant amount of management time and financial resources and is subject to integration and implementation challenges, rapid change, short life cycles and obsolescence. There can be no assurances that the resources we invest will be sufficient to materially improve the guest experience or customer satisfaction with our company. Accordingly, there can be no assurances that these investments will generate positive returns.

A change in our tax status under the United States Internal Revenue Code, or other jurisdictions, may have adverse effects on our income.

We and a number of our subsidiaries are foreign corporations that derive income from a United States trade or business and/or from sources within the United States. Drinker Biddle & Reath LLP, our United States tax counsel, has delivered to us an opinion, based on certain representations and assumptions set forth in it, to the effect that this income, to the extent derived from or incidental to the international operation of a ship or ships, is exempt from United States federal income tax pursuant to Section 883 of the Internal Revenue Code. We believe that most of our income (including that of our subsidiaries) is derived from or incidental to the international operation of a ship or ships.

The provisions of Section 883 are subject to change at any time by legislation. Moreover, changes could occur in the future with respect to the identity, residence or holdings of our direct or indirect shareholders, or relevant foreign tax laws, that could affect our eligibility for the Section 883 exemption. Accordingly, there can be no assurance that we will continue to be exempt from United States income tax on United States source shipping income in the future. If we were not entitled to the benefit of Section 883, we and our subsidiaries would be subject to United States taxation on a portion of the income derived from or incidental to the international operation of our ships, which would reduce our net income. See Item 1. Business Taxation of the Company for a discussion of such taxation in the absence of an exemption under Section 883.

As part of our growth strategy, we have recently expanded our presence within the U.K. tonnage tax regime and maintained our participation in various other international tonnage tax regimes. See Item 1. Business Taxation of the Company. To the extent the tonnage tax laws change or we do not continue to meet the applicable requirements, we may be required to pay higher income tax in these jurisdictions, resulting in lower net income.

As budgetary constraints continue to adversely impact the jurisdictions in which we operate, increases in income tax regulations affecting our operations may be imposed.

We are controlled by principal shareholders that have the power to determine our policies, management and actions requiring shareholder approval.

As of February 14, 2011, A. Wilhelmsen AS., a Norwegian corporation indirectly owned by members of the Wilhelmsen family of Norway, owned approximately 19.4% of our common stock and Cruise Associates, a Bahamian general partnership indirectly owned by various trusts primarily for the benefit of certain members of the Pritzker family and a trust primarily for the benefit of certain members of the Ofer family, owned approximately 15.4% of our common stock. A significant sale of shares by A. Wilhelmsen AS. or Cruise Associates, or a perception that either may sell a material amount of shares, could cause a drop in our share prices.

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A. Wilhelmsen AS. and Cruise Associates are parties to a shareholders agreement which provides that they will each vote their shares for the election of four nominees of A. Wilhelmsen AS., four nominees of Cruise Associates and our Chief Executive Officer. Our Articles of Incorporation require that during the term of the shareholders agreement the approval of at least one director affiliated with A. Wilhelmsen AS. and one director affiliated with Cruise Associates is required for certain corporate actions. As such, A. Wilhelmsen AS and Cruise Associates or either of them have the power to determine, among other things, certain of our policies, the persons who will be our officers, and actions requiring shareholder approval.

A. Wilhelmsen AS. and Cruise Associates are not prohibited from engaging in a business that may compete with our business, subject to certain exceptions. If any person other than A. Wilhelmsen AS. and Cruise Associates acquires ownership of more than 30% of our common stock and our two principal shareholders, in the aggregate, own less of our common stock than such person and do not collectively have the right to elect, or to designate for election, at least a majority of the board of directors, we may be obligated to prepay indebtedness outstanding under the majority of our credit facilities, which we may be unable to replace on similar terms. If this were to occur, it could have an adverse impact on our liquidity and operations.

We are not a United States corporation and our shareholders may be subject to the uncertainties of a foreign legal system in protecting their interests.

Our corporate affairs are governed by our Restated Articles of Incorporation and By-Laws and by the Business Corporation Act of Liberia. The provisions of the Business Corporation Act of Liberia resemble provisions of the corporation laws of a number of states in the United States. However, while most states have a fairly well developed body of case law interpreting their respective corporate statutes, there are very few judicial cases in Liberia interpreting the Business Corporation Act of Liberia. As such, the rights and fiduciary responsibilities of directors under Liberian law are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. For example, the right of shareholders to bring a derivative action in Liberian courts may be more limited than in United States jurisdictions. There may also be practical difficulties for shareholders attempting to bring suit in Liberia and Liberian courts may or may not recognize and enforce foreign judgments. Thus, our public shareholders may have more difficulty in protecting their interests with respect to actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

Litigation, enforcement actions, fines or penalties could adversely impact our financial condition or results of operations and/or damage our reputation.

Our business is subject to various United States and international laws and regulations that could lead to enforcement actions, fines, civil or criminal penalties or the assertion of litigation claims and damages. In addition, improper conduct by our employees or agents could damage our reputation and/or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines. In certain circumstances it may not be economical to defend against such matters and/or a legal strategy may not ultimately result in us prevailing in a matter. Such events could lead to an adverse impact on our financial condition or results of operations.

Provisions of our Articles of Incorporation, Bylaws and Liberian law could inhibit others from acquiring us, prevent a change of control, and may prevent efforts by our shareholders to change our management.

Certain provisions of our Articles of Incorporation and Bylaws and Liberian law may inhibit third parties from effectuating a change of control of the Company without Board approval which could result in the entrenchment of current management. These include provisions in our Articles of Incorporation that prevent third parties, other than A. Wilhelmsen AS. and Cruise Associates, from acquiring beneficial ownership of more than 4.9% of our outstanding shares without the consent of our Board of Directors.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Information about our cruise ships, including their size and primary areas of operation, may be found within the *Operating Strategies - Fleet Development and Maintenance* section and the *Operations - Cruise Ships* and *Itineraries* section in Item 1. *Business*. Information regarding our cruise ships under construction, estimated expenditures and financing may be found within the *Future Capital Commitments* and *Funding Sources* sections of Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations.*

Our principal executive office and shoreside operations are located at the Port of Miami, Florida where we lease three office buildings totaling approximately 361,800 square feet from Miami-Dade County, Florida, under long-term leases with current terms expiring in various years on and after 2015. We also lease a number of international offices throughout Europe, Asia, South America and Australia to administer our brand operations internationally.

We lease an office building in Springfield, Oregon totaling approximately 163,000 square feet, which is used as a call center for reservations. In addition, we own an office building totaling approximately 23,000 square feet and lease an office building totaling approximately 72,000 square feet in Wichita, Kansas, which are used as call centers for reservations and customer service. We lease two buildings in Miramar, Florida totaling approximately 178,000 square feet. One building is used primarily as additional office space and the other building is used as a call center for reservations. We also lease our logistics center in Weston, Florida totaling approximately 267,000 square feet.

We believe that our facilities are adequate for our current needs and that we are capable of obtaining additional facilities as necessary.

We also operate two private destinations which we utilize as a port-of-call on certain of our itineraries: (i) an island we own in the Bahamas which we call CocoCay; and (ii) Labadee, a secluded peninsula which we lease and is located on the north coast of Haiti.

Item 3. Legal Proceedings

We commenced an action in June 2010 in the United States District Court for Puerto Rico seeking a declaratory judgment that Puerto Rico s distributorship laws do not apply to our relationship with an international representative located in Puerto Rico. In September 2010, that international representative filed a number of counterclaims against Royal Caribbean Cruises Ltd. and Celebrity Cruises Inc. alleging violations of Puerto Rico s distributorship laws, bad faith breach of contract, tortious interference with contract, violations of various federal and state antitrust and unfair competition laws. The international representative is seeking in excess of $40.0 million on each of these counterclaims together with treble damages in the amount of $120.0 million on several of the counterclaims as well as injunctive relief and declaratory judgment. We believe that the claims made against us are without merit and we intend to vigorously defend ourselves against them.

In September 2010, the United States District Court for the Western District of Washington denied motions seeking permission by the Court to rename Royal Caribbean Cruises Ltd., Celebrity Cruises Inc. and other cruise lines as defendants in five actions, one of which is a pending class action, being brought against Park West Galleries, Inc., doing business as Park West Gallery, PWG Florida, Inc., Fine Art Sales, Inc., Vista Fine Art LLC, doing business as Park West At Sea (together, Park West), and other named and unnamed parties. Royal Caribbean Cruises Ltd. and Celebrity Cruises Inc. had previously been dismissed from these actions on the basis that the claims against them were not timely filed and/or properly pled. The actions are being brought on behalf of purchasers of artwork at shipboard art auctions conducted by Park West on the named cruise lines alleging that the artwork Park West sells is not what it represents to its customers and that Royal Caribbean Cruises Ltd., Celebrity Cruises Inc. and other named cruise lines are complicit in the activities of Park West, including engaging in a conspiracy with Park West in violation of the Racketeer Influenced and

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Corrupt Organizations Act (RICO), and are being enriched unjustly from the sale of the artwork. The actions seek refund and restitution of all monies acquired from the sale of artwork at shipboard auctions, recovery for the amount of payments for the purchased artwork, damages on the RICO claims in an indeterminate amount, and other permitted statutory damages and equitable relief. We will vigorously oppose any attempt by plaintiffs to rename either Royal Caribbean Cruises Ltd. or Celebrity Cruises Inc. as defendants and, if we are so renamed, we believe we have meritorious defenses to the claims against us which we will vigorously pursue. Under the current facts and circumstances, we no longer consider this matter to be a material proceeding.

Commencing in September 2009 and through August 2010 demands for arbitration were made under our collective bargaining agreement covering Celebrity Cruises crewmembers on behalf of twenty nine current and/or former Celebrity Cruises cabin stewards and others similarly situated. These demands, all brought by the same counsel, contend that between 2001 and 2005 Celebrity Cruises improperly required the named cabin stewards to share guest gratuities with assistant cabin stewards. The demands seek payment of damages, including penalty wages, under the U.S. Seaman s Wage Act of approximately $0.6 million for the named crewmembers and estimates damages in excess of $200.0 million, for the entire class of other similarly situated crewmembers. In the fourth quarter of 2010, all but five of the demands were dismissed for failure to file the claims timely and the other five are pending determination. Counsel has brought an action in the United States District Court for the Southern District of Florida seeking to overturn these arbitration awards, and is also appealing the dismissal of a similar action brought in October 2009 on behalf of ten crew members and others similarly situated in the United States District Court for the Southern District of Florida making the same contentions and seeking the same damages as the arbitration demands. We believe we have meritorious defenses to the pending arbitration demands and actions which we intend to vigorously pursue. Under the current facts and circumstances, we no longer consider this matter to be a material proceeding.

We are routinely involved in other claims typical within the cruise vacation industry. The majority of these claims are covered by insurance. We believe the outcome of such claims, net of expected insurance recoveries, will not have a material adverse impact on our financial condition or results of operations.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the New York Stock Exchange (NYSE) and the Oslo Stock Exchange (OSE) under the symbol RCL . The table below sets forth the high and low sales prices of our common stock as reported by the NYSE and the OSE for the two most recent years by quarter:

	NYSE Common Stock		OSE Common Stock(1)	
	High	Low	High	Low
2010				
Fourth Quarter	$ 47.83	$ 30.87	284.70	180.50
Third Quarter	32.73	21.97	197.00	142.00
Second Quarter	38.12	22.55	225.50	146.50
First Quarter	33.93	24.14	205.10	142.00
2009				
Fourth Quarter	$ 27.39	$ 18.95	157.60	110.00
Third Quarter	25.02	11.80	145.50	78.75
Second Quarter	17.88	7.75	115.00	52.25
First Quarter	15.50	5.40	106.50	37.00

(1) Denominated in Norwegian kroner, as listed in the price history database available at www.oslobors.no.

Holders

As of February 14, 2011 there were 1,195 record holders of our common stock. Since certain of our shares are held by brokers and other institutions on behalf of shareholders, the foregoing number is not representative of the number of beneficial owners.

Dividends

We did not declare cash dividends in 2010 or 2009. Commencing in the fourth quarter 2008, our Board of Directors discontinued the issuance of quarterly dividends.

Holders of our common stock have an equal right to share in our profits in the form of dividends when and if declared by our Board of Directors out of funds legally available therefore. Holders of our common stock have no rights to any sinking fund.

There are no exchange control restrictions on remittances of dividends on our common stock. Since (1) we are and intend to maintain our status as a nonresident Liberian entity under the Revenue Code of Liberia (2000) and the regulations thereunder, and (2) our ship-owning subsidiaries are not now engaged, and are not in the future expected to engage, in any business in Liberia, including voyages exclusively within the territorial waters of the Republic of Liberia, under current Liberian law, no Liberian taxes or withholding will be imposed on payments to holders of our securities other than to a holder that is a resident Liberian entity or a resident individual or an individual or entity subject to taxation in Liberia as a result of having a permanent establishment within the meaning of the Revenue Code of Liberia (2000) in Liberia.

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The declaration of dividends shall at all times be subject to the final determination of our Board of Directors that a dividend is prudent at that time in consideration of the needs of the business. The shareholders agreement provides that A. Wilhelmsen AS. and Cruise Associates will from time to time consider our dividend policy with due regard for the interests of the shareholders in maximizing the return on their investment and our ability to pay such dividends. The shareholders agreement also provides that payment of dividends will depend, among other factors, upon our earnings, financial position and capital requirements and the income and other tax liabilities of A. Wilhelmsen AS., Cruise Associates and their respective affiliates relating to their ownership of common stock.

Performance Graph

The following graph compares the total return, assuming reinvestment of dividends, on an investment in the Company, based on performance of the Company s common stock with the performance of the Standard & Poor s 500 Composite Stock Index and the Dow Jones United States Travel and Leisure Index for a five year period by measuring the changes in common stock prices from December 31, 2005 to December 31, 2010.

	12/05	12/06	12/07	12/08	12/09	12/10
Royal Caribbean Cruises Ltd.	**$ 100.00**	**$ 93.22**	**$ 97.01**	**$ 31.91**	**$ 58.67**	**$ 109.07**
S&P 500	**$ 100.00**	**$ 115.80**	**$ 122.16**	**$ 76.96**	**$ 97.33**	**$ 111.99**
Dow Jones United States Travel & Leisure	**$ 100.00**	**$ 122.44**	**$ 120.72**	**$ 78.31**	**$ 102.57**	**$ 145.02**

The stock performance graph assumes for comparison that the value of the Company s common stock and of each index was $100 on December 31, 2005 and that all dividends were reinvested. Past performance is not necessarily an indicator of future results.

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Item 6. Selected Financial Data

The selected consolidated financial data presented below for the years 2006 through 2010 and as of the end of each such year, are derived from our audited consolidated financial statements and should be read in conjunction with those financial statements and the related notes as well as in conjunction with Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*. (Amounts include Pullmantur effective January 1, 2007).

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in thousands, except per share data)				
Operating Data:					
Total revenues	$ 6,752,504	$ 5,889,826	$ 6,532,525	$ 6,149,139	$ 5,229,584
Operating income	802,633	488,511	831,984	901,335	858,446
Net income	547,467	162,421	573,722	603,405	633,922
Per Share Data Basic:					
Net income	$ 2.55	$ 0.76	$ 2.69	$ 2.84	$ 3.01
Weighted-average shares	215,026	213,809	213,477	212,784	210,703
Per Share Data Diluted:					
Net income	$ 2.51	$ 0.75	$ 2.68	$ 2.82	$ 2.94
Weighted-average shares and potentially dilutive shares	217,711	215,295	214,195	214,255	221,485
Dividends declared per common share	$ 0.00	$ 0.00	$ 0.45	$ 0.60	$ 0.60
Balance Sheet Data:					
Total assets	$ 19,694,904	$ 18,233,494	$ 16,463,310	$ 14,982,281	$ 13,393,088
Total debt, including capital leases	9,150,116	8,419,770	7,011,403	5,698,272	5,413,744
Common stock	2,262	2,243	2,239	2,235	2,225
Total shareholders equity	7,942,502	7,499,717	6,803,012	6,757,343	6,091,575

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Concerning Factors That May Affect Future Results

The discussion under this caption Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this document, including, for example, under the Risk Factors and Business captions, includes forward-looking statements under the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, business and industry prospects and future results of operations and financial position, made in this Annual Report on Form 10-K are forward-looking. Words such as anticipate, believe, could, estimate, expect, goal, intend, may, plan, project, seek, should expressions are intended to identify these forward-looking statements. Forward-looking statements reflect management s current expectations, are inherently uncertain and are subject to risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to, the following:

- the impact of worldwide economic conditions on the demand for cruises;
- the impact of the economic environment on our ability to generate cash flows from operations, satisfy the financial covenants required by our credit facilities, or obtain new borrowings from the credit or capital markets in amounts sufficient to satisfy our capital expenditures, debt repayments and other financing needs;
- the impact of disruptions in the global financial markets on the ability of our counterparties and others to perform their obligations to us including those associated with our loan agreements and derivative contracts;
- if we are unable to appropriately balance our cost management strategy with our goal of satisfying guest expectations it may adversely impact our business success;
- the uncertainties of conducting business internationally and expanding into new markets;
- changes in operating and financing costs, including changes in foreign exchange rates, interest rates, fuel, food, payroll, airfare for our shipboard personnel, insurance and security costs;
- vacation industry competition and changes in industry capacity and overcapacity;
- the cost of or changes in tax, environmental, labor, health, safety, security and other laws and regulations affecting our business;
- pending or threatened litigation, enforcement actions, fines or penalties;
- emergency ship repairs, including the related lost revenue;
- the impact of ship construction, repair or refurbishment delays, ship cancellations or ship construction price increases brought about by construction faults, mechanical problems or financial difficulties encountered by shipyards or their subcontractors;

negative incidents or adverse publicity concerning the cruise vacation industry including those involving unusual weather conditions, natural disasters or disruptions or the health, safety and security of passengers;

the international political climate, fears of terrorist and pirate attacks, armed conflict, the unavailability or cost of air service and the resulting concerns over safety and security aspects of traveling;

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- the spread of contagious diseases;
- a disruption to our shoreside business related to actual or threatened natural disasters, information systems failure or similar events;
- our ability to differentiate our products;
- our ability to manage our business activities that involve our co-investment with third parties;
- our inability to adequately incentivize our travel agents or changes and/or disruptions to the travel agency industry;
- the loss of key personnel, strained employee relations and/or our inability to retain or recruit qualified personnel;
- changes in our stock price or principal shareholders;
- uncertainties of a foreign legal system as we are not incorporated in the United States;
- the unavailability of ports of call; and
- weather.

The above examples are not exhaustive and new risks emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a further discussion of risk factors related to our business, see Part I, Item 1A. *Risk Factors* in this Annual Report on Form 10-K.

Overview

The discussion and analysis of our financial condition and results of operations has been organized to present the following:

- a review of our critical accounting policies and review of our financial presentation, including discussion of certain operational and financial metrics we utilize to assist us in managing our business;
- a discussion of our results of operations for the year ended December 31, 2010 compared to the same period in 2009 and the year ended December 31, 2009 compared to the same period in 2008;
- a discussion of our business outlook, including our expectations for selected financial items for the first quarter and full year of 2011; and
- a discussion of our liquidity and capital resources, including our future capital and contractual commitments and potential funding sources.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. (See Note 1. *General* and Note 2. *Summary of Significant Accounting Policies* to our consolidated financial statements under Item 8. *Financial Statements and Supplementary Data*.) Certain of our accounting policies are deemed critical, as they require management s highest degree of judgment, estimates and assumptions. We have discussed these accounting policies and estimates with the audit committee of our board of directors. We believe our most critical accounting policies are as follows:

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Ship Accounting

Our ships represent our most significant assets and are stated at cost less accumulated depreciation. Depreciation of ships is generally computed net of a 15% projected residual value using the straight-line method over estimated service lives of primarily 30 years. Our service life and residual value estimates take into consideration the impact of anticipated technological changes, long-term cruise and vacation market conditions and historical useful lives of similarly-built ships. In addition, we take into consideration our estimates of the average useful lives of the ships major component systems, such as hull, superstructure, main electric, engines and cabins. Given the very large and complex nature of our ships, our accounting estimates related to ships and determinations of ship improvement costs to be capitalized require considerable judgment and are inherently uncertain. We do not have cost segregation studies performed to specifically componentize our ship systems. Therefore, we estimate the costs of component systems based principally on general and technical information known about major ship component systems and their lives and our knowledge of the cruise vacation industry. We do not identify and track depreciation by ship component systems, but instead utilize these estimates to determine the net cost basis of assets replaced or refurbished. Improvement costs that we believe add value to our ships are capitalized as additions to the ship and depreciated over the improvements estimated useful lives. The estimated cost and accumulated depreciation of replaced or refurbished ship components are written off and any resulting losses are recognized in cruise operating expenses.

We use the deferral method to account for drydocking costs. Under the deferral method, drydocking costs incurred are deferred and charged to expense on a straight-line basis over the period to the next scheduled drydock which we estimate to be a period of thirty to sixty months based on the vessel s age as required by class. Deferred drydock costs consist of the costs to drydock the vessel and other costs incurred in connection with the drydock which are necessary to maintain the vessel s Class certification. Class certification is necessary in order for our cruise ships to be flagged in a specific country, obtain liability insurance and legally operate as passenger cruise ships. The activities associated with those drydocking costs cannot be performed while the vessel is in service and, as such, are done during a drydock as a planned major maintenance activity.

The significant deferred drydock costs consist of hauling and wharfage services provided by the drydock facility, hull inspection and related activities (e.g. scraping, pressure cleaning, bottom painting), maintenance to steering propulsion, stabilizers, thruster equipment and ballast tanks, port services such as tugs, pilotage and line handling, and freight associated with these items. We perform a detailed analysis of the various activities performed for each drydock and only defer those costs that are directly related to planned major maintenance activities necessary to maintain Class. The costs deferred are not otherwise routinely periodically performed to maintain a vessel s designed and intended operating capability. Repairs and maintenance activities are charged to expense as incurred.

We use judgment when estimating the period between drydocks, which can result in adjustments to the estimated amortization of drydock costs. If the vessel is disposed of before the next drydock, the remaining balance in deferred drydock is written-off to the gain or loss upon disposal of vessel in the period in which the sale takes place. We also use judgment when identifying costs incurred during a drydock which are necessary to maintain the vessel s Class certification as compared to those costs attributable to repairs and maintenance which are expensed as incurred. (See Note 2. *Summary of Significant Accounting Policies* to our consolidated financial statements under Item 8. *Financial Statements and Supplementary Data*).

We believe we have made reasonable estimates for ship accounting purposes. However, should certain factors or circumstances cause us to revise our estimates of ship service lives or projected residual values, depreciation expense could be materially higher or lower. If circumstances cause us to change our assumptions in making determinations as to whether ship improvements should be capitalized, the amounts we expense each year as repairs and maintenance costs could increase, partially offset by a decrease in depreciation expense. If we had reduced our estimated average 30-year ship service life by one year, depreciation expense for 2010 would have increased by approximately $46.0 million. If our ships were estimated to have no residual value, depreciation expense for 2010 would have increased by approximately $151.0 million.

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Valuation of Long-Lived Assets, Goodwill and Indefinite-Lived Intangible Assets

We review our ships and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of these assets based on our estimate of their undiscounted future cash flows. If estimated future cash flows are less than the carrying value of an asset, an impairment charge is recognized for the difference between the asset s estimated fair value and its carrying value.

We determine fair value based on quoted market prices in active markets, if available. If active markets are not available we base fair value on independent appraisals, sales price negotiations and projected future cash flows discounted at a rate determined by management to be commensurate with the business risk. Quoted market prices are often not available for individual reporting units and for indefinite-life intangible assets. Accordingly, we base the fair value of a reporting unit and an indefinite-life intangible asset on an expected present value technique.

We review goodwill, trademarks and tradenames, which are our most significant indefinite-lived intangible assets, for impairment whenever events or circumstances indicate but at least annually. The impairment review for goodwill consists of a two- step process of first determining the fair value of the reporting unit and comparing it to the carrying value of the net assets allocated to the reporting unit. If the fair value of the reporting unit exceeds the carrying value, no further analysis or write-down of goodwill is required. If the fair value of the reporting unit is less than the carrying value of its net assets, the implied fair value of the reporting unit is allocated to all its underlying assets and liabilities, including both recognized and unrecognized tangible and intangible assets, based on their fair value. If necessary, goodwill is then written down to its implied fair value. The impairment review for indefinite-life intangible assets consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. If the fair value exceeds its carrying amount, the indefinite-life intangible asset is not considered impaired.

We performed our annual impairment review for goodwill during the fourth quarter of 2010. We determined the fair value of our two reporting units which include goodwill, Royal Caribbean International and Pullmantur, using a probability-weighted discounted cash flow model. The principal assumptions used in the discounted cash flow model are projected operating results, weighted-average cost of capital, and terminal value. Cash flows were calculated using our 2011 projected operating results as a base. To that base we added future years cash flows assuming multiple revenue and expense scenarios that reflect the impact on each reporting unit of different global economic environments beyond 2011. We assigned a probability to each revenue and expense scenario.

We discounted the projected cash flows using rates specific to each reporting unit based on their respective weighted-average cost of capital. Based on the probability-weighted discounted cash flows of each reporting unit we determined the fair values of Royal Caribbean International and Pullmantur exceeded their carrying values. Therefore, we did not proceed to step two of the impairment analysis and we do not consider goodwill to be impaired. Royal Caribbean International s reporting unit s fair value exceeded its carrying value by a significant margin. Pullmantur s reporting unit s fair value exceeded its carrying value by 37% as of December 31, 2010.

We also performed the annual impairment review of our trademarks and trade names during the fourth quarter of 2010 using a discounted cash flow model and the relief-from-royalty method. The royalty rate used is based on comparable royalty agreements in the tourism and hospitality industry. Since these trademarks and trade names relate to Pullmantur, we used the same discount rate used in valuing the Pullmantur reporting unit in our goodwill impairment test. Based on the discounted cash flow model we determined the fair value of our trademarks and trade names exceeded their carrying value by 19%.

The estimation of fair value utilizing discounted expected future cash flows includes numerous uncertainties which require our significant judgment when making assumptions of expected revenues, operating costs, marketing, selling and administrative expenses, interest rates, ship additions and retirements as well as assumptions regarding the cruise vacation industry competition and general economic and business conditions, among other factors. The Spanish economy has been

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more severely impacted than many other economies around the world where we operate and there is significant uncertainty as to whether or when it will recover. If that economy weakens or recovers more slowly than contemplated in our discounted cash flow model, that could trigger an impairment charge of Pullmantur s goodwill and trademark and trade names. In addition, it is reasonably possible that significant changes to our projected operating results utilized in the impairment analyses, especially our future net yield assumptions, could lead to an impairment of Pullmantur s goodwill and trademark and trade names.

The factors influencing the Spanish economy discussed above could also affect the recoverability of Pullmantur s deferred tax assets. As of December 31, 2010, Pullmantur had deferred tax assets of $35.6 million resulting from net operating losses.

We regularly review deferred tax assets for recoverability based on our history of earnings, expectations for future earnings, and tax planning strategies. We believe it is more likely than not that we will recover the deferred tax assets based on our expectation of future earnings and implementation of tax planning strategies. Realization of deferred tax assets ultimately depends on the existence of sufficient taxable income to support the amount of deferred tax assets. It is possible we may need to establish a valuation allowance for a portion or all of the deferred tax asset balance if future earnings do not meet expectations or we are unable to successfully implement our tax planning strategies.

Derivative Instruments

We enter into forward and swap contracts to manage our interest rate exposure and to limit our exposure to fluctuations in foreign currency exchange rates and fuel prices. The majority of these instruments are designated as hedges and are recorded on the balance sheet at their fair value. We have also entered into fuel call options to limit our exposure to fluctuations in fuel prices. These instruments are economic hedges which are not designated as hedging instruments for accounting purposes and thus, changes in their fair value are immediately recognized in earnings. Our derivative instruments are not held for trading or speculative purposes. We account for derivative financial instruments in accordance with authoritative guidance. Refer to Note 2. *Summary of Significant Accounting Policies* and Note 13. *Fair Value Measurements and Derivative Instruments* to our consolidated financial statements for more information on related authoritative guidance, the Company s hedging programs and derivative financial instruments.

We enter into foreign currency forward contracts and interest rate, cross-currency and fuel swaps with third party institutions in over-the-counter markets. We estimate the fair value of our foreign currency forward contracts and interest rate and cross-currency swaps using expected future cash flows based on the instruments contract terms and published forward curves for foreign currency exchange and interest rates. We apply present value techniques and LIBOR-based discount rates to convert the expected future cash flows to the current fair value of the instruments.

We estimate the fair value of our fuel swaps using expected future cash flows based on the swaps contract terms and forward prices. We derive forward prices from forward fuel curves based on pricing inputs provided by third-party institutions that transact in the fuel indices we hedge. We validate these pricing inputs against actual market transactions. We apply present value techniques and LIBOR-based discount rates to convert the expected future cash flows to the current fair value of the instruments. We also corroborate our fair value estimates using valuations provided by our counterparties.

We determine the fair value for our fuel call options based on the prevailing market price for the instruments consisting of published price quotes for similar assets based on recent transactions in an active market.

We adjust the valuation of our derivative financial instruments to incorporate credit risk, when applicable.

We believe it is unlikely that materially different estimates for the fair value of our foreign currency forward contracts and interest rate, cross-currency and fuel swaps and options would be derived from using other valuation models, assumptions, inputs or conditions suggested by actual historical experience.

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Contingencies Litigation

On an ongoing basis, we assess the potential liabilities related to any lawsuits or claims brought against us. While it is typically very difficult to determine the timing and ultimate outcome of such actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, we take into consideration estimates of the amount of insurance recoveries, if any. We accrue a liability when we believe a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recoveries, it is possible that certain matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made.

Seasonality

Our revenues are seasonal based on demand for cruises. Demand is strongest for cruises during the Northern Hemisphere s summer months and holidays.

Financial Presentation

Description of Certain Line Items

Revenues

Our revenues are comprised of the following:

Passenger ticket revenues, which consist of revenue recognized from the sale of passenger tickets and the sale of air transportation to and from our ships; and

Onboard and other revenues, which consist primarily of revenues from the sale of goods and/or services onboard our ships not included in passenger ticket prices, cancellation fees, sales of vacation protection insurance, pre- and post-cruise tours, Pullmantur s land-based tours and hotel and air packages.

Onboard and other revenues also include revenues we receive from independent third party concessionaires that pay us a percentage of their revenues in exchange for the right to provide selected goods and/or services onboard our ships.

Expenses

Our cruise operating expenses are comprised of the following:

Commissions, transportation and other expenses, which consist of those costs directly associated with passenger ticket revenues, including travel agent commissions, air and other transportation expenses, port costs that vary with passenger head counts and related credit card fees;

Onboard and other expenses, which consist of the direct costs associated with onboard and other revenues, including the costs of products sold onboard our ships, vacation protection insurance premiums, costs associated with pre- and post-cruise tours and related credit card fees as well as the minimal costs associated with concession revenues, as the costs are mostly incurred by third-party concessionaires;

Payroll and related expenses, which consist of costs for shipboard personnel;

Food expenses, which include food costs for both passengers and crew;

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Fuel expenses, which include fuel and related delivery and storage costs, including the financial impact of fuel swap agreements; and

Other operating expenses, which consist primarily of operating costs such as repairs and maintenance, port costs that do not vary with passenger head counts, vessel operating lease costs, costs associated with Pullmantur s land-based tours, vessel related insurance and entertainment.

We do not allocate payroll and related costs, food costs, fuel costs or other operating costs to the expense categories attributable to passenger ticket revenues or onboard and other revenues since they are incurred to provide the total cruise vacation experience.

Selected Operational and Financial Metrics

We utilize a variety of operational and financial metrics which are defined below to evaluate our performance and financial condition. As discussed in more detail herein, certain of these metrics are non-GAAP financial measures which we believe provide useful information to investors as a supplement to our consolidated financial statements, which are prepared and presented in accordance with GAAP. The presentation of non-GAAP financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Available Passenger Cruise Days (APCD) is our measurement of capacity and represents double occupancy per cabin multiplied by the number of cruise days for the period. We use this measure to perform capacity and rate analysis to identify our main non-capacity drivers which cause our cruise revenue and expenses to vary.

Gross Cruise Costs represent the sum of total cruise operating expenses plus marketing, selling and administrative expenses.

Gross Yields represent total revenues per APCD.

Net Cruise Costs represent Gross Cruise Costs excluding commissions, transportation and other expenses and onboard and other expenses (each of which is described above under the Description of Certain Line Items heading). In measuring our ability to control costs in a manner that positively impacts net income, we believe changes in Net Cruise Costs to be the most relevant indicator of our performance. A reconciliation of historical Gross Cruise Costs to Net Cruise Costs is provided below under *Results of Operations*. We have not provided a quantitative reconciliation of projected Gross Cruise Costs to projected Net Cruise Costs due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.

Net Debt-to-Capital is a ratio which represents total long-term debt, including current portion of long-term debt, less cash and cash equivalents (Net Debt) divided by the sum of Net Debt and total shareholders equity. We believe Net Debt and Net Debt-to-Capital, along with total long-term debt and shareholders equity are useful measures of our capital structure. A reconciliation of historical Debt-to-Capital to Net Debt-to-Capital is provided below under *Results of Operations.*

Net Revenues represent total revenues less commissions, transportation and other expenses and onboard and other expenses (each of which is described under the Description of Certain Line Items heading).

Net Yields represent Net Revenues per APCD. We utilize Net Revenues and Net Yields to manage our business on a day-to-day basis as we believe that it is the most relevant measure of our pricing performance because it reflects the cruise revenues earned by us net of our most significant variable costs, which are commissions, transportation and other expenses and onboard and other expenses. A reconciliation of historical Gross Yields to Net Yields is provided below under *Results of Operations*. We have not provided a quantitative reconciliation of projected Gross Yields to projected Net Yields due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.

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Occupancy, in accordance with cruise vacation industry practice, is calculated by dividing Passenger Cruise Days by APCD. A percentage in excess of 100% indicates that three or more passengers occupied some cabins.

Passenger Cruise Days represent the number of passengers carried for the period multiplied by the number of days of their respective cruises.

We believe Net Yields and Net Cruise Costs are our most relevant non-GAAP financial measures. However, a significant portion of our revenue and expenses are denominated in currencies other than the United States dollar. Because our reporting currency is the United States dollar, the value of these revenues and expenses can be affected by changes in currency exchange rates. Although such changes in local currency prices is just one of many elements impacting our revenues and expenses, it can be an important element. For this reason, we also monitor Net Yields and Net Cruise Costs as if the current periods currency exchange rates had remained constant with the comparable prior periods rates, or on a Constant Currency basis.

It should be emphasized that Constant Currency is primarily used for comparing short-term changes and/or projections. Over the longer term, changes in guest sourcing and shifting the amount of purchases between currencies significantly change the impact of the purely currency based fluctuations.

The use of certain significant non-GAAP measures, such as Net Yields and Net Cruise Costs, allow us to perform capacity and rate analysis to separate the impact of known capacity changes from other less predictable changes which affect our business. We believe these non-GAAP measures provide expanded insight to measure revenue and cost performance in addition to the standard United States GAAP based financial measures. There are no specific rules or regulations for determining non-GAAP measures, and as such, there exists the possibility that they may not be comparable to other companies within the industry.

Executive Overview

During 2010, we saw a slight improvement in the economy which led to pricing increases as described below. Although we are not back at pre-recession levels, the current demand for our brands is improving and we expect this trend to continue through 2011. Profitability momentum and yield accretion are also quite strong with our newest vessels performing well and our management team effectively controlling costs. During 2010, our Net Yields increased 4.2% and our Net Cruise Costs per APCD decreased by 1.8% despite experiencing travel disruptions, extreme weather conditions and currency related issues during the year. Even though the economy remains a challenge our outlook remains encouraging.

During 2011, we will work to further enhance our revenues with the overall goal of maximizing our return on invested capital. We will also continue to improve our cost efficiency through various cost-containment initiatives while ensuring we continue to deliver an outstanding guest experience. We note the potential for an increasing role of our tour operations which include Royal Celebrity Tours and Pullmantur s tour businesses and other operations on our Net Yields and Net Cruise Costs. We realize that revenues and expenses associated with such operations tend to be more volatile and less predictable than our main cruise business. Because the tour businesses have relatively low margins, this volatility has little impact on our results of operations but can cause fluctuations in our Net Yields and Net Cruise Costs.

Our international expansion also remains a key focus going into 2011 and we continue to invest in mature markets while strategically focusing on developing markets. As a result, we are experiencing an increased demand in these markets. We also continue to tactically invest in our fleet to ensure we maintain class and brand standards including the addition of new venues and other popular amenities across our fleet. In addition, we recently reached a conditional agreement with Meyer Werft to build the first of a new generation of Royal Caribbean International cruise ships.

Lastly, we have experienced a significant improvement in our liquidity during 2010 due to the increase in our operating cash flows coupled with the steps we have taken so far to further reduce refinancing risk, including obtaining an additional unsecured revolving credit facility in 2010 with the goal of maintaining two separate revolving credit facilities with staggered maturity dates going forward. We also have committed bank financing arrangements for our two Solstice-class vessels under construction. We anticipate funding our scheduled maturities in 2011 and other obligations through operating cash flows and do not foresee a need to access the capital markets during 2011 although we may opportunistically decide to do so. We are also continuing to pursue our long-term objective of returning to investment

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grade rating. During 2010, Standard and Poor s upgraded our corporate credit rating and our senior unsecured debt credit rating to BB with a stable outlook from BB- with a stable outlook. In January 2011, Moody s upgraded our corporate credit rating to Ba1 with a stable outlook from Ba2 with a stable outlook and our senior unsecured debt credit rating to Ba2 with a stable outlook from Ba3 with a stable outlook.

Results of Operations

Summary

Year ended December 31, 2010

Total revenues increased 14.6% to $6.8 billion in 2010 from total revenues of $5.9 billion in 2009 primarily due to an 11.1% increase in capacity (measured by APCD for such period) and a 4.2% increase in Net Yields. The increase in Net Yields was primarily due to increases in ticket prices and occupancy, partially offset by the adverse effect of changes in foreign currency exchange rates. This increase in total revenues was also partially offset by higher operating expenses primarily due to the increase in capacity, in part offset by the favorable effect of changes in foreign currency exchange rates. In addition, during 2010, we recorded a one-time gain of approximately $89.0 million, net of costs and payments to insurers, related to the settlement of our case against Rolls Royce. As a result, our net income was $547.5 million or $2.51 per share on a diluted basis for 2010 compared to $162.4 million or $0.75 per share on a diluted basis for 2009.

Significant items for 2010 include:

- Net Cruise Costs per APCD decreased by 1.8% compared to 2009.

- Fuel expenses per APCD, net of the financial impact of fuel swap agreements, decreased 3.0% per APCD as compared to the same period in 2009.

- Our Net Debt-to-Capital ratio increased to 52.4% in 2010 from 52.0% in 2009. Similarly, our Debt-to-Capital ratio increased to 53.5% in 2010 from 52.9% in 2009.

- As of December 31, 2010, our liquidity was $1.6 billion, including cash and the undrawn portion of our unsecured revolving credit facilities. During 2010, we entered into a $525.0 million unsecured revolving credit facility bearing interest at LIBOR plus a margin of 2.75% and a facility fee of 0.6875% due 2014. Going forward, we anticipate maintaining two separate revolving credit facilities with staggered maturity dates.

- We took delivery of *Allure of the Seas*, the second Oasis-class ship for Royal Caribbean International and *Celebrity Eclipse*, the third Solstice-class ship for Celebrity Cruises. To finance the purchases, we borrowed a total of $1.7 billion under unsecured term loans.

- In an effort to increase our fixed percentage of debt, we terminated certain of our interest rate and cross currency swap agreements which resulted in net cash proceeds of approximately $115.4 million. In addition, we terminated 22.9% of our fuel swap agreements as of June 30, 2010 which resulted in net cash proceeds of $57.5 million.

Other Items:

- During 2010, we sold *Bleu de France* to an unrelated party for $55.0 million and in the first quarter of 2011, we entered into an agreement to sell *Celebrity Mercury* to TUI Cruises for 234.3 million. We executed certain forward contracts to lock in the sales price at approximately $290.0 million. The sale of *Bleu de France* resulted in an immaterial deferred gain. We anticipate recognizing a gain on the sale of *Celebrity Mercury* which we do not expect will have a material effect on our 2011 results of operations.

In February 2011, we reached a conditional agreement with Meyer Werft to build the first of a new generation of Royal Caribbean International cruise ships. The ship will have a capacity of approximately 4,100 berths based on double occupancy and is expected to enter service in the fourth quarter of 2014. We also have an option to construct a second ship of the same class which will expire on February 28, 2012, subject to earlier acceleration under certain circumstances.

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We reported historical total revenues, operating income, net income and earnings per share as shown in the following table (in thousands, except per share data):

	Year Ended December 31, 2010	2009	2008
Total revenues	$ 6,752,504	$ 5,889,826	$ 6,532,525
Operating income	$ 802,633	$ 488,511	$ 831,984
Net income	$ 547,467	$ 162,421	$ 573,722
Basic earnings per share:			
Net income	$ 2.55	$ 0.76	$ 2.69
Diluted earnings per share:			
Net income	$ 2.51	$ 0.75	$ 2.68

The following table presents historical operating data as a percentage of total revenues for the last three years:

	Year Ended December 31, 2010	2009	2008
Passenger ticket revenues	72.7%	71.4%	72.4%
Onboard and other revenues	27.3	28.6	27.6
Total revenues	100.0%	100.0%	100.0%
Cruise operating expenses			
Commissions, transportation and other	17.4%	17.5%	18.3%
Onboard and other	7.1	7.8	7.0
Payroll and related	11.4	11.6	10.1
Food	5.7	5.9	5.2
Fuel	9.6	10.2	11.1
Other operating	14.8	16.3	15.8
Total cruise operating expenses	66.0	69.3	67.5
Marketing, selling and administrative expenses	12.6	12.9	11.9
Depreciation and amortization expenses	9.5	9.6	7.9
Operating income	11.9	8.2	12.7
Other expense	(3.8)	(5.5)	(3.9)
Net income	8.1%	2.7%	8.8%

Selected historical statistical information is shown in the following table:

	Year Ended December 31, 2010	2009	2008
Passengers Carried	4,585,920	3,970,278	4,017,554

Passenger Cruise Days	32,251,217	28,503,046	27,657,578
APCD	30,911,073	27,821,224	26,463,637
Occupancy	104.3%	102.5%	104.5%

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Gross Yields and Net Yields were calculated as follows (in thousands, except APCD and Yields):

	Year Ended December 31,			
	2010	2010 On a Constant Currency basis	2009	2008
Passenger ticket revenues	$ 4,908,644	$ 4,921,935	$ 4,205,709	$ 4,730,289
Onboard and other revenues	1,843,860	1,858,003	1,684,117	1,802,236
Total revenues	6,752,504	6,779,938	5,889,826	6,532,525
Less:				
Commissions, transportation and other	1,175,522	1,182,971	1,028,867	1,192,316
Onboard and other	480,564	489,436	457,772	458,385
Net revenues	$ 5,096,418	$ 5,107,531	$ 4,403,187	$ 4,881,824
APCD	30,911,073	30,911,073	27,821,224	26,463,637
Gross Yields	$ 218.45	$ 219.34	$ 211.70	$ 246.85
Net Yields	$ 164.87	$ 165.23	$ 158.27	$ 184.47

Gross Cruise Costs and Net Cruise Costs were calculated as follows (in thousands, except APCD and costs per APCD):

	Year Ended December 31,			
	2010	2010 On a Constant Currency basis	2009	2008
Total cruise operating expenses	$ 4,458,076	$ 4,493,014	$ 4,071,102	$ 4,403,666
Marketing, selling and administrative expenses	848,079	850,201	761,999	776,522
Gross Cruise Costs	5,306,155	5,343,215	4,833,101	5,180,188
Less:				
Commissions, transportation and other	1,175,522	1,182,971	1,028,867	1,192,316
Onboard and other	480,564	489,436	457,772	458,385
Net Cruise Costs	$ 3,650,069	$ 3,670,808	$ 3,346,462	$ 3,529,487
APCD	30,911,073	30,911,073	27,821,224	26,463,637
Gross Cruise Costs per APCD	$ 171.66	$ 172.86	$ 173.72	$ 195.75
Net Cruise Costs per APCD	$ 118.08	$ 118.75	$ 120.28	